

Prepared for

**Mr. Phillip Wageman  
Real Estate Division Manager  
City of Des Moines  
400 Robert D. Ray Drive  
Des Moines, IA 50309-1891**

An Appraisal of Real Estate Described as

**DICO Company, Inc. Property  
200 SW 16th Street  
Des Moines, Iowa**

Date of Value

**January 27, 2017**

Prepared by

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February 16, 2017

Mr. Phillip Wageman  
Real Estate Division Manager  
City of Des Moines  
400 Robert D. Ray Drive  
Des Moines, IA 50309-1891

Dear Mr. Wageman:

**Re: Appraisal of DICO Company, Inc. Property, 200 SW 16<sup>th</sup> Street, Des Moines, Iowa.**

As you requested, we have on January 27, 2017, inspected the above referenced property. A description of the parent tract is included in the Summary of Salient Data Section of the accompanying report.

The purpose of the appraisal is to estimate the market value of the fee simple estate in the property as of the date of valuation. The appraisal is to be used to estimate a potential acquisition price for the property, given extraordinary assumptions regarding future site use limitations and assumed building removal. "Fair Market Value" is defined in the Summary of Salient Data Section of the accompanying report. The intended user is the City of Des Moines.

## **Final Estimate of Value**

Based on the data and judgments contained in this appraisal, we estimate the market value of the fee simple interest in the subject real estate, as of January 17, 2017, given the specified extraordinary assumptions, was as follows:

## **Fee Simple Interest**

**Market Value-given extraordinary assumptions** **\$ 1,600,000**

The estimate of market value is contingent upon the following extraordinary assumption. The item is defined as "extraordinary" per the definition contained in the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Institute. The definition of extraordinary assumption is included in this report.

The appraisal shall be subject to the following assumptions:

- 1) Allowable uses are limited to the following due to known environmental contamination and EPA Superfund status: Civic open space uses, performance venue, and athletic stadium and associated recreational programming.

Mr. Phillip Wageman  
February 16, 2017  
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- 2) All buildings, including building floors and foundations, are assumed to be demolished and removed from the site.
- 3) The existing environmental remediation system shall remain in place and the EPA Superfund status will remain.

**Our estimate of market value would require review and modification if it were not contingent upon the extraordinary assumption.**

It has been a pleasure providing appraisal services to you. If you should have any questions regarding the derivation of market value, please feel free to contact me at your convenience.

Respectfully submitted,



Patrick J. Schulte, MAI SRPA

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## SUMMARY OF SALIENT DATA

### Property Identification - Parent Tract

We are appraising a 1,665,299 square foot (38.23-acre) parcel that is specified by outline on the maps and plats included in this report. The site is improved with several industrial/warehouse buildings. *However, our appraisal assignment is to appraise the value of the site, assuming the existing buildings and related floors and foundations had been removed.*

The legal description, as listed at the Polk County Assessment web-site follows:

-EX RD EAS BEG 158.16F S OF INTSEC OF N ROW LN MARKET ST & W ROW LN SW 17TH ST THN S 129.46F SWLY 308.42F NW 14.21F SW 19.61F SE 14.21F SWLY 155.68F TO W LN LT C NE 82.17F NW 293.96F NW 124.99F SELY 212.33F SE 415.23F TO POB LTS 1,2 & C- & -EX N150F & TRI PC 50 X 200 SE COR- LT 1 & -EX N 150F & S & W OF LN BEG INTSEC S LN LT A & E LN LT 2 THN NWLY ALNG ELY LN 1904.72F NW TO W LN- LT 2 & ALL LT B DICO PLAT 1

The property address is 200 SW 16<sup>th</sup> Street, Des Moines, Iowa.

### Ownership & Sales History

According to assessment records, the owner is DICO Co. Inc. There have been no sales involving the subject property in the past three years.

At the request of our client, we did not interview the property owner for this assignment, and we are not aware as to whether the property is offered for sale.

### Occupancy

The property is vacant, and/or idle, for more than 5 years. The property was vacant, and idle, as of January 17, 2017, the date of valuation.

### Assessed Valuation and Taxes

According to the Assessor's Office, the property was assessed and taxed, as of January 1, 2016, as follows:

Year	Land	Building	Total	Effective	
				Rate	Taxes
2016	\$232,000	\$1,000	\$233,000	0.027073	\$36,998

### Purpose and Use of the Appraisal

The purpose of the appraisal is to estimate the market value of the fee simple estate in the property as of the date of valuation. The appraisal is to be used to estimate a potential acquisition price for the property, given extraordinary assumptions regarding future site use limitations and assumed building removal. "Fair Market Value" is defined in the Summary of Salient Data Section of the accompanying report. The intended user is the City of Des Moines.

The appraisal is prepared in conformance to the guidelines of the Uniform Standards of Professional Appraisal Practice (USPAP) and the Appraisal Institute's Code of Ethics.

The analysis is made assuming a total acquisition of the property. There is no remainder property.

This appraisal is made assuming a potential voluntary acquisition. It is not made in conformance to typical eminent domain standards.

### **Scope of Work**

The appraisal is to be used to estimate just compensation for acquisition purposes related to the proposed project. To complete this appraisal assignment, the appraisers

- Developed an opinion of value for the property;
- inspected the property and observed the neighborhood;
- gathered information on construction cost data, comparable land and improved sales, comparable leases, vacancy rates, and capitalization and yield rates;
- comparable sales were confirmed by the appraisers and/or other staff at Commercial Appraisers of Iowa, Inc. with at least one of the parties to the transaction, as possible, and by public records. A portion of the sales data was available to us from recent assignments involving similar property types;
- analyzed the data and applied the sales comparison approach. We determined the cost and income approaches were not applicable to this assignment to appraise the land, assuming the buildings had been removed.

### **Definitions**

We have used the definition of market value that is required in typical appraisals prepared for federally regulated financial institutions. Market Value is defined by the federal financial institutions regulatory agencies as follows:

**Market Value:** "Market Value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeable, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- (1) buyer and seller are typically motivated;
- (2) both parties are well informed or well advised, and acting in what they consider their own best interests;
- (3) a reasonable time is allowed for exposure in the open market;
- (4) payment is made in terms of cash in U.S. dollars or in terms of financial arrangements compatible thereto; and
- (5) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associates with the sale."

(Source: Office of the Comptroller of the Currency under 12 CFR, Part 34, subpart C-appraisals, 34.42 Definitions (f).)

According to *The Appraisal of Real Estate*, Twelfth Edition (Appraisal Institute, 2001), the term fee simple estate is defined as follows.

**Fee Simple Estate:** Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

#### **Extraordinary Assumption**

An extraordinary assumption is defined in the Uniform Standards of Professional Appraisal Practice (USPAP) as follows:

**Extraordinary Assumption:** An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusion. Extraordinary Assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis. The definition of other selected terms is included in the addendum.

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#### **Date of Inspection and Valuation**

The property was viewed from public right-of-way on January 17, 2017 by Patrick J. Schulte. We did not travel onto the subject property. The estimate of value is effective as of January 17, 2017.

#### **Report Option**

This report is defined as an Appraisal Report in accordance with Standards Rule 2-2(b) of the *Uniform Standards of Professional Appraisal Practice* (USPAP). As such, it presents sufficient information to enable the client and other intended users, as identified, to understand it properly.

#### **Contamination**

There is known contamination at the subject site. The site and the buildings at the site were covered by a Unilateral Administrative Order for Removal Action (UAO) dated March 4, 1994. The UAO specifies Operable Unit #4 which covers almost all of the southern 2/3rds of the subject site and buildings. It is also referred to as the Des Moines TCE Site, Operable Unit #4. We have reviewed many reports covering remedial investigation from 1995, 5 year review reports for September 2007 and 2013, a report titled Planning for the Future; a reuse planning report for the Des Moines TCE Super Fund Site, DICO property, dated December 2006, and several other reports. We retained the reports in our files. The known contamination is discussed further in the following report.

### **Final Estimate of Value**

Based on the data and judgments contained in this appraisal, we estimate the market value of the fee simple interest in the subject real estate, as of January 17, 2017, given the specified extraordinary assumptions, was as follows:

### **Fee Simple Interest**

<b>Market Value-given extraordinary assumptions</b>	<b>\$ 1,600,000</b>
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The estimate of market value is contingent upon the following extraordinary assumption. The item is defined as “extraordinary” per the definition contained in the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Institute. The definition of extraordinary assumption is included in this report.

The appraisal shall be subject to the following assumptions:

- 4) Allowable uses are limited to the following due to known environmental contamination and EPA Superfund status: Civic open space uses, performance venue, and athletic stadium and associated recreational programming.
- 5) All buildings, including building floors and foundations, are assumed to be demolished and removed from the site.
- 6) The existing environmental remediation system shall remain in place and the EPA Superfund status will remain.

Our estimate of market value would require review and modification if it were not contingent upon the extraordinary assumption.

### **Appraiser Competency**

Patrick J. Schulte prepared the analysis and valuation conclusions for this appraisal. Mr. Schulte is a Certified General Real Property Appraiser by the State of Iowa and holds the professional designation of MAI from the Appraisal Institute. Refer to the Qualifications of the Appraisers in the Addendum for additional information. Mr. Schulte has performed numerous appraisals covering complex property issues as is the case with the subject of this report.

## **ASSUMPTIONS AND LIMITING CONDITIONS**

**The estimate of market value is contingent upon the following extraordinary assumption. The item is defined as "extraordinary" per the definition contained in the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Institute. The definition of extraordinary assumption is included in this report.**

**The appraisal shall be subject to the following assumptions:**

- 1) Allowable uses are limited to the following due to known environmental contamination and EPA Superfund status: Civic open space uses, performance venue, and athletic stadium and associated recreational programming.**
- 2) All buildings, including building floors and foundations, are assumed to be demolished and removed from the site.**
- 3) The existing environmental remediation system shall remain in place and the EPA Superfund status will remain.**

**Our estimate of market value would require review and modification if it were not contingent upon the extraordinary assumption.**

The date of value to which the opinions expressed in this report apply is set forth in the letter of transmittal. We assume no responsibility for economic or physical factors occurring at some later date, which may affect the opinions stated herein.

The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of ADA in estimating the value of the property.

No opinion is intended to be expressed for legal matters or that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers, although such matters may be discussed in the report.

No opinion as to title is rendered. Data on ownership and the legal description were obtained from sources generally considered reliable. Title is assumed to be marketable and free and clear of all liens and encumbrances, easements, and restrictions except those specifically discussed in the report. The property is appraised assuming it to be under responsible ownership and competent management and available for its highest and best use.

No engineering survey has been made by the appraiser. Except as specifically stated, data relative to size and area, were taken from sources considered reliable. No encroachment of real property improvements is assumed to exist, unless otherwise stated.

The maps, plats, and exhibits included are for illustration only, as an aid in visualizing matters discussed within the report. They should not be considered to be surveys or relied upon for any other purpose.

No opinion is expressed as to the value of subsurface oil, gas, or mineral rights. The property is not subject to surface entry for the exploration or removal of such materials except as is expressly stated.

Because no title report was made available to the appraiser, I assume no responsibility for such items of record not disclosed by our normal investigation.

No detailed soil studies covering the subject property were available for my use. Therefore, premises as to soil qualities employed in this report are not conclusive but have been considered consistent with information available. It is assumed that the site would support those improvements that represent the highest and best use.

Disclosure of the contents of this appraisal report is governed by the By-Laws and Regulations of the Appraisal Institute, the American Society of Appraisers, and the Uniform Standards of Professional Appraisal Practice.

Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser or the firm with which he is connected, or any reference to the Appraisal Institute or to the MAI or RM designation or the SREA, SRPA or SRA designations, the American Society of Appraisers or their members) shall be disseminated to the public through advertising media, public relations media, news media, sales media, or any other public means of communication without the prior written consent and approval of the undersigned. This consent and approval does not apply to Governmental Agencies who disclose appraisals and appraised values through their normal business functions.

We have inspected the subject property from public right of way and found no obvious evidence of structural deficiencies except as stated in this report. However, no responsibility for hidden defects or conformity to specific governmental requirements, such as fire, building and safety, earthquake, or occupancy codes can be assumed without provision of specific professional or governmental inspections.

Because no termite inspection report was available, we assume no termite damage or infestation unless so stated.

Because no asbestos inspection report was made available to the appraiser, we assume no responsibility for such materials or like items that would require specialized knowledge or investigation beyond that ordinarily employed by real estate appraisers.

Unless stated otherwise, we did not observe and are not aware of the existence of hazardous or toxic materials or wastes at subject property. The existence of such materials may have an affect on the estimate of value. The client should retain an expert in these fields, if desired.

Testimony or attendance in court or at any other hearing is not required by reason of rendering this appraisal unless such arrangements are made a reasonable time in advance.

It is assumed that all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.

It is assumed that the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.

No consideration has been given in this appraisal to personal property located on the premises, or to the cost of moving or relocating such personal property, except noted otherwise. Only the real property has been considered.

## STATEMENT OF THE APPRAISAL PROBLEM

### **Project Definition**

The city of Des Moines requested we estimate market value of the site, given extraordinary assumptions regarding site use limitations and building removal. The appraisal is to be used as a factor in potential voluntary acquisition of the subject property.

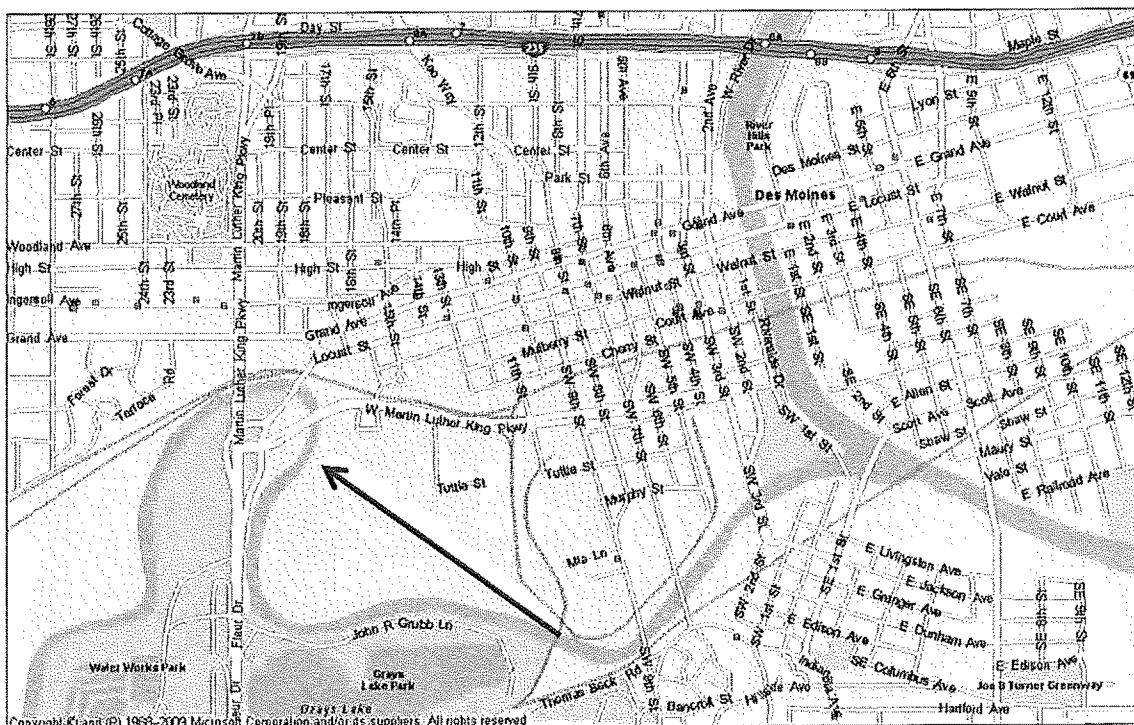
This appraisal is made assuming a potential voluntary acquisition. It is not made in conformance to typical eminent domain standards.

### **Appraisal Procedure**

We applied traditional appraisal practices to the valuation of the subject property. We gave consideration to the land sales comparison approach. We are appraising the property given extraordinary assumptions regarding building removal and site use limitations.

We analyzed the highest and best use and applied the land sales comparison approach, and reconciled to a value assuming no contamination. We then adjusted the value downward as appropriate given the problems associated with the known contamination.





## DES MOINES AREA AND CITY DATA

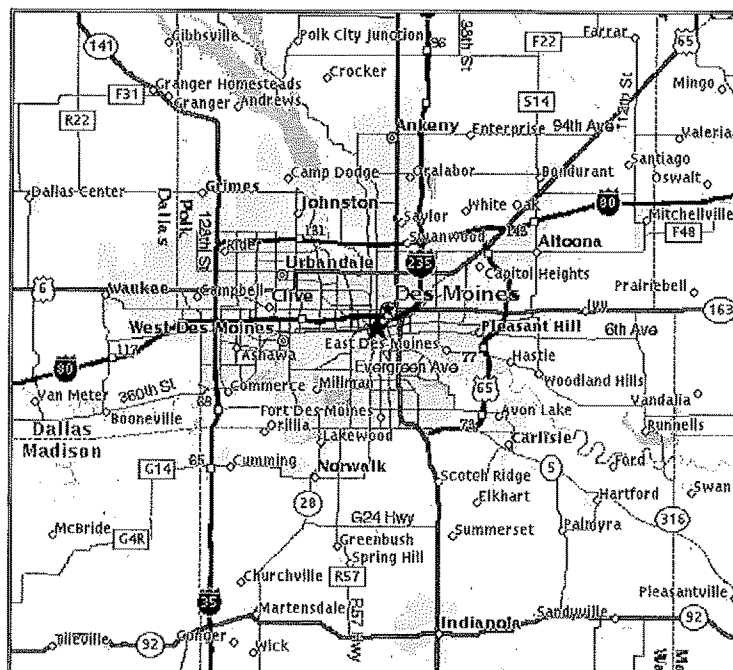
The following description of the community is prepared by staff members of Commercial Appraisers of Iowa, Inc. It is reviewed and updated on an annual basis to reflect changes in reported statistics and changes in the local economy and demographic data.

## GENERAL DESCRIPTION

Des Moines is the State Capital and the largest city in Iowa. The Des Moines Metropolitan Area has experienced above average population and economic growth compared to most other Iowa communities and compared to national averages. The local population and economy have benefited from continuing rural to urban area migration and growth in the financial and service sector industries. The community has experienced strong growth in the insurance sector and has the size and location to provide a wide range of financial and professional services throughout the State of Iowa.

Des Moines is located in south central Iowa at the intersection of Interstates #35 and #80. It is 325 miles west of Chicago, 190 miles north of Kansas City, 130 miles east of Omaha, and 250 miles south of Minneapolis.

The Des Moines Metropolitan Statistical Area (MSA) encompasses 1,750 square miles and is comprised of Polk, Dallas and Warren Counties. The MSA includes the cities of Des Moines, West Des Moines, Clive, Urbandale, Windsor Heights, Johnston, Waukee and Ankeny. Some of the smaller communities include Pleasant Hill, Altoona, Bondurant, Grimes, Norwalk, Polk City, Cumming and Carlisle.

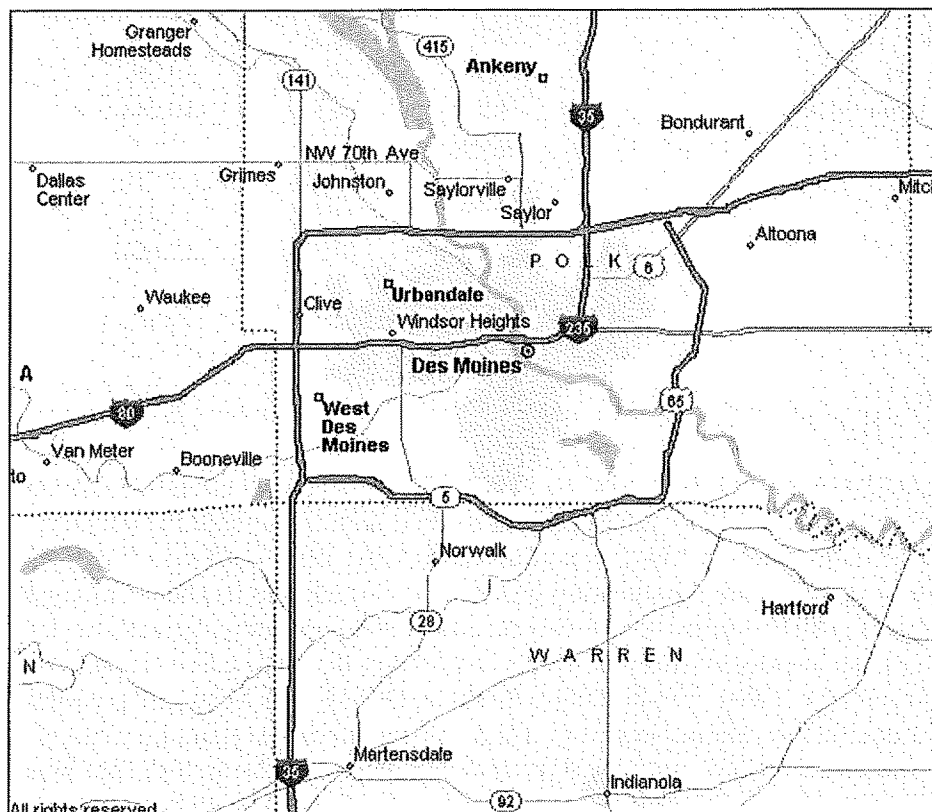


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Des Moines is located in south central Iowa at the intersection of Interstates #35 and #80. It is 325 miles west of Chicago, 190 miles north of Kansas City, 130 miles east of Omaha, and 250 miles south of Minneapolis.

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### Population Trends

The following table summarizes population data for the State of Iowa, the Des Moines SMSA, and other selected city MSAs:

POPULATION DATA						
MSAs	1960	1970	1980	1990	2000	2010
Des Moines	311,267	339,647	367,561	392,928	456,022	543,000
Cedar Rapids	136,899	163,213	169,775	168,767	191,701	211,226
Waterloo/Cedar Falls	122,482	132,916	137,961	123,798	128,012	131,090
Sioux City	107,849	103,052	100,884	98,276	103,877	102,172
Ames	49,327	62,783	72,326	74,252	79,981	89,542
Dubuque	80,048	90,609	93,745	86,403	89,143	93,653
Iowa City	53,663	72,127	81,717	96,119	111,006	130,882
State of Iowa	2,757,537	2,825,368	2,913,808	2,776,831	2,926,324	3,046,355
United States	179,323,175	203,302,031	226,545,805	248,790,925	281,421,906	308,745,538
Population Data %'s						
	1970	1980	1990	2000	2010	
Des Moines	9.1%	8.2%	6.9%	16.1%	19.1%	
Cedar Rapids	19.2%	4.0%	-0.6%	13.6%	10.2%	
Waterloo/Cedar Falls	8.5%	3.8%	-10.3%	3.4%	2.4%	
Sioux City	-4.4%	-2.1%	-2.6%	5.7%	-1.6%	
Ames	27.3%	15.2%	2.7%	7.7%	12.0%	
Dubuque	13.2%	3.5%	-7.8%	3.2%	5.1%	
Iowa City	34.4%	13.3%	17.6%	15.5%	17.9%	
State of Iowa	2.5%	3.1%	-4.7%	5.4%	4.1%	
United States	13.4%	11.4%	9.8%	13.1%	9.7%	

Source: U.S. Census

The population data indicate that the State of Iowa had slow population growth during recent decades and has been substantially less than seen throughout the country. On the other hand, the major cities in Iowa, excluding Sioux City, Waterloo/Cedar Falls, and Dubuque, have had relatively good population growth and Des Moines has been amongst the leaders in population growth during the last two decades. The population increase for Des Moines was near national averages during the 1980s and greater than national increases during the 1990s and through the 2000s. From 2000 to 2010 the Des Moines MSA's population has increased almost double the national increase. There appears to be a continuing trend of migration away from rural Iowa areas toward the major metropolitan areas with Des Moines receiving substantial portions of that growth. The current moderate growth trend should continue in the future.

Although the MSA has steadily grown over the past few decades, the City of Des Moines has experienced population declines during the 1960's and 1970's and very minor growth in the 1990's. The declines are attributable to a combination of movement to suburban communities and a reduction in the average household size. Since 1980, the City of Des Moines has shown small population increases. It is anticipated that the City of Des Moines population will be relatively constant in the foreseeable future.

The population losses and minimal growth in the City of Des Moines have been offset by the substantial population increases in the suburb communities. This population shift has accounted for rapid growth in the suburbs. The large population increases continue to occur in the western suburban communities of West Des Moines, Clive, Urbandale and the northern suburbs of Johnston, Grimes and Ankeny.

The trend for the Metropolitan area is for moderate population growth, with the majority of this growth occurring in the western and northern suburbs.

#### **Cultural and Recreational Facilities**

There is multitude of cultural and recreational facilities available for metro area residents. A partial list includes the Des Moines Botanical Center, Art Center, Center of Science and Industry, theaters, Iowa Cubs Baseball (AAA minor league), Iowa Barnstormers (Arena Football), Iowa Wild Hockey (AHL minor league) Des Moines Menace (soccer), zoo, Living History Farms, and museums. Other activities include the Des Moines Symphony, Ballet and Opera. Also, the Veteran's Memorial Auditorium and Wells Fargo Arena offer large capacity seating for sporting events, large indoor displays, and concerts. Prairie Meadows Racetrack and Casino was constructed approximately 20 years ago and is located in Altoona, an eastern suburb of Des Moines. Adventureland Amusement Park is also located in Altoona and offers a variety of rides and shows.

Other recreational facilities include parks, golf courses, tennis courts, swimming pools and libraries. Saylorsville Reservoir is located north of Des Moines and includes camping, swimming and boating opportunities.

#### **ECONOMIC FORCES**

Economic forces consider the financial capacity of the population. Economic characteristics considered in this section include employment trends, regional resources, major employers, income levels, and property supply/demand factors.

#### **Employment Trends & Regional Resources**

Des Moines has a higher concentration of its employment in the finance, insurance and real estate, and other service sectors than does the United States on average. This concentration is partially offset by a relatively small share of total employment in the durable goods manufacturing sector. This leads to a relatively stable, moderate-growth work force situation.

The following table summarizes the historical unemployment rate for the Metropolitan Area, Iowa and the United States. The data was obtained from the Iowa Workforce Development, Research and Information Services Division.

<b>Unemployment Summary</b>			
	Des Moines		United
Year	MSA	Iowa	States
1991	3.5%	4.6%	6.8%
1992	3.7%	4.7%	7.5%
1993	3.4%	4.0%	6.9%
1994	2.8%	3.7%	6.1%
1995	2.6%	3.5%	5.6%
1996	2.8%	3.8%	5.4%
1997	2.6%	3.3%	4.9%
1998	2.1%	2.8%	4.5%
1999	1.9%	2.5%	4.2%
2000	2.4%	2.8%	4.0%
2001	2.8%	3.3%	4.7%
2002	3.5%	3.9%	5.8%
2003	4.0%	4.4%	6.0%
2004	4.4%	4.6%	5.5%
2005	4.0%	4.3%	5.1%
2006	3.4%	3.7%	4.6%
2007	3.5%	3.8%	4.6%
2008	4.1%	4.4%	5.8%
2009	5.3%	6.0%	9.3%
2010	6.0%	6.1%	9.6%
2011	6.0%	6.0%	8.9%
2012	5.3%	5.2%	8.1%
2013	4.6%	4.6%	7.4%
2014	4.2%	4.4%	6.2%
2015	3.5%	3.8%	5.3%

The strong economy of Des Moines can also be seen in its unemployment rate. The unemployment rate for the metro area, and for the State of Iowa, has been consistently below the national unemployment rate for most of the last ten years. This is primarily attributable to the diversified work force in the Metropolitan Area. The local economy is not dominated by one industry, which prevents drastic unemployment increases during downturns of a single industry or cyclical fluctuations. The 2015 annual unemployment rate for Des Moines was 3.5%, and is considerably less than the U.S. rate of 5.3%.

The Des Moines Metropolitan Area has a diversified and growing employment base. The largest local employers are summarized in the following table:

### Largest Metro Employers

Company Name	Product/Service	Number of Employees
Wells Fargo & Co.	Financial Services	14,000
Mercy Medical Center - Des Moines	Health Care	7,055
UnityPoint Health	Health Care	6,435
Hy-Vee Inc.	Grocery	6,400
Principal Financial Group Inc.	Financial Services	6,066
Nationwide	Insurance	4,269
DuPont Pioneer	Agribusiness	3,000
John Deere Des Moines Works	Manufacturing	1,900
Kum & Go	Convenience Store	1,820
Wellmark	Insurance	1,800

Source: Business Record 2016 Book of Lists

The largest employers are Wells Fargo and Mercy Medical Center. Previously the top two employers were Wells Fargo & Co. and Hy-Vee. Des Moines is the home to numerous insurance company corporate headquarters and is now recognized as an insurance industry leader throughout the country.

### Income Levels

The metropolitan area has a diversified work force that is growing. However, the demand for goods and services is also related to the buying potential of the residents. The following table summarizes the income per capita for the Des Moines/West Des Moines Metropolitan Area, State of Iowa, and the United States. Analysis of the data will provide an indication of the relative prosperity of the Metropolitan population in relation to the state and country as a whole. The data was obtained from the Bureau of Economic Analysis. The past six years of data is shown.

	Per Capita Income						
	2007	2008	2009	2010	2011	2012	2013
Des Moines/West Des Moines MSA	\$42,780	\$43,764	\$43,207	\$43,324	\$45,004	\$47,346	\$47,612
Iowa	\$36,838	\$39,440	\$38,713	\$39,038	\$42,656	\$44,014	\$44,763
United States	\$39,804	\$40,783	\$39,357	\$40,163	\$42,332	\$44,200	\$44,765

This data indicates that the income per capita for the Metropolitan Area is consistently above the statewide and national averages.

### Property Occupancy Data

We have reviewed the 2016 *Greater Des Moines Real Estate Market Survey*, published by CB Richard Ellis Hubbell Commercial. According to this survey the occupancy level for office, industrial and retail properties in the metropolitan area are as follows:

#### PROPERTY OCCUPANCY LEVELS CB Richard Ellis Hubbell Commercial

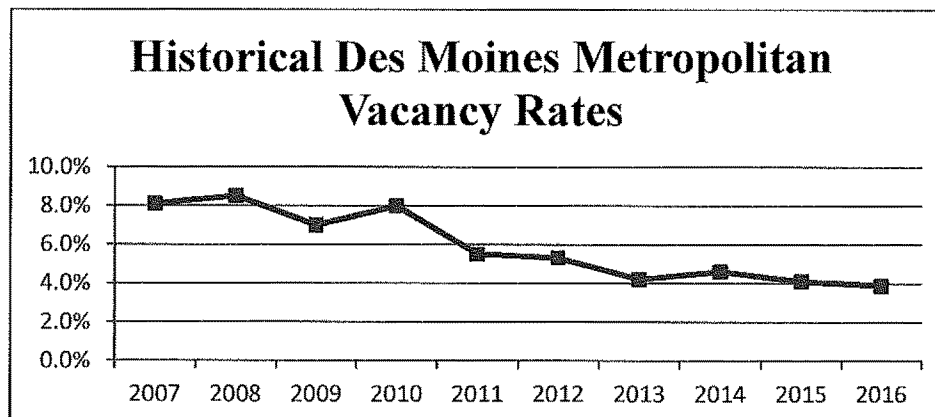
Property Type	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Office										
Entire Market	92.7%	92.4%	89.6%	88.9%	88.3%	88.5%	89.0%	90.4%	91.1%	91.7%
Competitive Market	85.8%	85.7%	81.1%	79.4%	78.8%	79.7%	82.5%	84.5%	84.1%	84.8%
Industrial										
Warehouse	91.4%	91.5%	91.0%	91.2%	89.5%	90.4%	91.6%	94.8%	93.3%	93.8%
Manufacturing	95.4%	96.9%	97.0%	95.4%	95.1%	95.7%	95.7%	98.0%	97.3%	96.7%
Flex Space	85.4%	86.0%	86.8%	83.6%	85.0%	85.5%	86.7%	90.6%	90.7%	92.8%
Retail										
Regional Shopping Center	87.9%	90.3%	88.0%	88.0%	91.0%	95.3%	96.8%	96.9%	94.5%	94.7%
Neighborhood Community	82.1%	78.8%	76.4%	75.3%	75.0%	77.3%	78.9%	81.9%	80.8%	82.6%

The survey indicates occupancy levels have shown some decline from 2008 to 2012 in the metropolitan area. It appears occupancy levels stabilized or slightly increased since from 2012 to 2014. Occupancy levels primarily increased in 2016 after remaining level or slightly decreasing in 2015.

### Annual Apartment Survey Data – Des Moines Metro

Commercial Appraisers of Iowa prepares an Annual Apartment Survey of the Des Moines Metro Area, which is completed in January of each year. The 2016, 46<sup>th</sup> Annual Apartment Survey covers a sample of 25,954 conventional apartment units in 282 projects located in the Des Moines Metro Area.

The vacancy rate over the last 10 years for apartment properties included in the survey is shown below:





As shown in the graph, the survey indicated an overall vacancy rate of 3.9% in 2016, which is a decrease from 4.1% in January of 2015.

While vacancy rates have fallen, rents have increased for all unit types over the past year. The increase in average rents ranged from 5.2% for two-bedroom units to 10.3% for efficiency units. Approximately 8% of the market rate projects offered some type of rental concessions to new tenants, which is an increase from 7% in 2015.

Over the past year, the steady demand for apartments has continued. A mix of Gen X, Baby Boomer and Millennial tenants are driving the demand, all desiring flexibility, walkability, choice in floor plans, diverse property designs, and quality amenity packages. With the exception of some parts of the West Suburbs Submarket, vacancy levels remain low and rental rates are increasing. The steady demand is a result of many factors, including but not limited to a shift to renting by choice, lack of consistent job formation thus allowing renters the flexibility to follow jobs, increasing population, and household creation.

While demand is expected to remain healthy, it is likely that the market will experience some normalization resulting in a slight softening of occupancy levels and rent growth due to the large number of units that will likely be entering the market in 2016. Increased single-family housing rental options, lack of wage growth, and reduced affordability will also be dynamics affecting apartment absorption in 2016.

#### **GOVERNMENTAL FORCES**

Governmental forces consider the laws, regulations, and taxes that can affect property values.

The Des Moines Metropolitan Area includes the City of Des Moines, along with the suburbs of West Des Moines, Clive, Urbandale, Windsor Heights, Johnston, Waukee, Ankeny and other, smaller communities. Each city has a separate government entity that provides services and levies tax burdens according to their needs.

The cities within the Metropolitan Area have relatively similar tax rates, ranging from approximately \$31.0 to \$45.0 per \$1,000 of assessed value. The City of Des Moines has the highest tax levies due to its large amount of infrastructure to maintain and large amount of hospital and other non-taxed properties.

Each community within the Metropolitan Area has their own zoning and building regulations. However, most of the regulations are highly similar.

#### **ENVIRONMENTAL FORCES**

Environmental considerations include natural or man-made features that impact property values and future development. Items include geographic location, climate, public transportation, and traffic and road amenities or detriments.

### **Geographic Location**

The metropolitan area is located on a glacial plateau approximately 900 feet above sea level. It has level to gently rolling topography that does not limit most development. The only limit to development is low-lying lands located in 100-year flood hazard areas. The low lands are primarily located near the Raccoon River, Des Moines River and smaller tributaries. The majority of development has occurred on agricultural lands with no special construction limitations.

### **Climate**

A major environmental force that affects properties is the climate. This area has extreme fluctuations in temperature from below 20 degrees Fahrenheit in the winter to over 90 degrees Fahrenheit in the summers. Well-insulated and weather protected construction is required for both heating and cooling purposes.

### **Public Services and Utilities**

The City of Des Moines and the suburban communities provide adequate services that consist of fire and police protection, good quality road systems and water, sewer and other utilities.

### **Traffic and Road Amenities or Detriments**

Another major environmental force that appears to have influenced population shifts within the Metropolitan area is the location of the major highway systems. The access provided by Interstate #235 has led to a population shift towards the northern and western suburbs from the City of Des Moines. This interstate highway, along with Interstate #80, provides good access to the Des Moines Central Business District, regional shopping centers, and major employment centers.

A southern "loop bypass" was completed and provides superior access to properties located south and east of Des Moines. This highway connects with Interstate #80 near Altoona and extends south and west along Des Moines until it connects with Interstate #35 near West Des Moines. This highway will spur additional development in the southern and eastern portions of the community.

The Metropolitan Area is the geographic center for the State of Iowa due to its location at the intersection of Interstates #80 and #35. An international airport is located in Des Moines and there is adequate rail service for industrial and commercial use. Bus service is provided with interstate and intrastate service. The Metro Transit Authority (MTA) provides bus service in Des Moines and the larger suburbs. Taxi and limousine service is also available throughout the area.

**CONCLUSION – REGIONAL AND CITY ANALYSIS**

The social, economic, governmental and environmental forces that affect properties in the Des Moines Metropolitan Area are favorable. The Metropolitan Area population has steadily increased over the past 30 years and future increases are anticipated. The Metropolitan Area has a diversified and growing work force. There has been stable growth, which has resulted in a relative balance in the supply and demand for most of the major property groups. There is no excessive vacancy and continued stable growth is anticipated.

The Des Moines Central Business District (CBD) is supported by several large employers. Some of the largest employers are insurance companies, which have made Des Moines one of the largest insurance centers in the world. The major insurance companies located in the CBD include The Principal Financial Group, Allied/Nationwide, Employer's Mutual Casualty, Equitable of Iowa, and American Republic. Other large employers in or near the CBD include Wells Fargo, Iowa Health System Hospital, and Mercy Hospital.

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The east portion of the CBD, located east of the Des Moines River, (East Village) contains a large amount of state and local government buildings. This is due to the City of Des Moines being both the County Seat of Polk County and the State Capital of Iowa. The East Village area also contains several retail properties including recently constructed or rehabbed mixed-use properties with multiple family uses on the upper floors.

Cultural centers include Principal Park baseball stadium, the Science Center, the Botanical Center, the State Historical Museum, Des Moines Public Library, and the Iowa Events Center.

### **Office Building Construction**

The following table summarizes the major office building construction history in the CBD over the past 40 years.

Property	Building Area (SF)	Year Built	Occupancy	No. Stories
Wellmark	550,000	2010	Single Tenant	5
Allied Insurance/Nationwide	285,000	2008	Single Tenant	7
Davis Brown Tower	160,000	2007	Multiple Tenant	13
Allied/Nationwide	372,000	2007	Single Tenant	5
Wells Fargo Financial	300,000	2005	Single Tenant	10
Allied/Nationwide	500,000	2002	Single Tenant	5
Wells Fargo	380,000	2003	Single Tenant	9
Meredith	180,000	1998	Single Tenant	4
Equitable	217,600	1996	Single Tenant	6
EMC	240,000	1996	Multiple Tenant	20
Principal "Z"	525,000	1996	Single Tenant	8
801 Grand	708,000	1990	Multiple Tenant	44
Principal Tower	390,000	1986	Single Tenant	11
Hub Tower	281,000	1985	Multiple Tenant	20
Capital Square	427,000	1983	Multiple Tenant	8
Two Ruan	235,000	1982	Multiple Tenant	14
Ruan	450,000	1977	Multiple Tenant	36
Financial Center	334,000	1972	Multiple Tenant	25

The Davis Brown Tower includes two floors of street retail, seven levels of parking garage, and four levels of office. The gross area above excludes the parking garage.

The Allied headquarters project included a parking garage with approximately 2,500 spaces. The Wells Fargo project included a 1,600 parking stall garage. The Wellmark project also includes a parking garage.

The majority of the office space constructed since 1986 has been built for corporate owner-occupancy.

Gateway West was developed in the west portion of the CBD. It is located between Grand Avenue on the north, Locust Street on the south, 10<sup>th</sup> Street on the east, and 15<sup>th</sup> Street in the west. The Meredith and Equitable buildings are defining boundaries to this area. Other potential development includes additional office buildings, a park, and parking facilities. The goal of this business park was to create an appealing entrance to the west portion of the CBD and provide land to retain downtown office tenants. Numerous properties were purchased and razed for this redevelopment project.

## **OFFICE RENTAL RATES AND OCCUPANCY DATA**

### **Commercial Appraisers of Iowa, Inc.**

We annually complete a survey of the major CBD office buildings. The buildings have a combined area of approximately 3,350,000 square feet and represent the majority of the competitive multiple tenant office space. Competitive space is typically defined as being leased for less than 10 years and not being owner-occupied. We interviewed the owner or manager for each property. We have separated the buildings into two groups. The first group includes eight properties that command the highest rents. The second group consists of older buildings that command lower rents.

The majority of the buildings rent space on a full-service basis. A few of the buildings are leased with the tenant responsible for a portion of the electric expense. We have adjusted the rents to a full-service BOMA Rentable basis on all buildings for comparison purposes.

DES MOINES CBD OFFICE RENT AND OCCUPANCY SURVEY  
Survey by Commercial Appraisers of Iowa, Inc.

Year Built	Name	Size Sq. Ft.	Vacant Sq. Ft. Sep-15	Vacant % Apr-03	Vacant % Sep-04	Vacant % Feb-06	Vacant % Jul-07	Vacant % Jul-08	Vacant % Jun-09	Vacant % Apr-10	Vacant % Mar-11	Vacant % Oct-12	Vacant % Jan-14	Vacant % Sep-15	Full Service Asking Rates/SF
1990	801 Grand	707,185	10,000	3.0%	3.1%	7.4%	5.1%	0.0%	3.3%	3.4%	6.5%	8.1%	1.3%	1.4%	\$22-28
2007	Davis Brown Tower	152,635	13,656	N/A	N/A	N/A	N/A	N/A	N/A	5.0%	3.3%	0.0%	3.8%	8.9%	\$28.00
1996	EMC	240,000	0	3.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A
1985	Hub Tower	281,000	136,214	11.1%	12.3%	0.0%	0.0%	10.7%	48.0%	44.2%	85.4%	59.7%	52.7%	48.5%	\$17.00
1983	Capital Square	428,534	103,000	15.7%	11.8%	9.9%	22.3%	12.9%	7.9%	18.0%	28.1%	24.0%	24.0%	24.0%	\$18-19
1977	Ruan	450,000	36,000	3.0%	4.2%	5.9%	2.9%	0.0%	4.4%	0.8%	14.4%	13.3%	14.6%	8.0%	\$17.25
1982	Two Ruan	235,000	148,050	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	87.7%	65.5%	63.0%	\$15.75
1972	Financial Center	331,320	130,430	8.5%	23.0%	22.3%	21.1%	21.1%	39.5%	42.1%	39.7%	36.2%	22.5%	39.4%	\$17-25
Sub-Total Top 8 Bldgs			2,825,674	6.3%	7.6%	7.3%	8.0%	5.8%	12.8%	13.3%	29.8%	25.3%	19.8%	20.4%	
1967	Bank of America	155,200	34,826	7.1%	8.0%	10.4%	14.9%	28.4%	36.1%	33.1%	35.1%	18.5%	24.7%	22.4%	\$15.00
1900	100 Court	82,275	2,635	12.2%	10.0%	19.1%	13.3%	7.8%	4.7%	11.2%	3.1%	6.6%	12.4%	3.2%	\$17.00
1885	Griffin Bldg	47,788	23,894	31.3%	35.1%	35.1%	37.6%	32.9%	33.0%	50.0%	39.5%	30.7%	33.5%	50.0%	\$10-15
1920	Midland Financial	86,052	12,908	32.6%	36.3%	29.6%	20.9%	20.0%	34.4%	31.6%	30.8%	38.8%	27.0%	15.0%	\$10-15
Sub-Total Second Tier			371,315	28.0%	26.3%	21.4%	21.4%	21.7%	24.3%	28.3%	38.1%	36.9%	19.9%	20.0%	
Total			3,196,989	13.9%	13.9%	11.4%	11.6%	10.1%	15.9%	16.1%	31.6%	27.6%	19.9%	20.4%	

Approximately 75% of the EMC building is owner-occupied. Four floors are leased to the Nyemaster Law Firm.

The Capital Square building includes 82,555 square feet on the first two levels that the manager classifies as retail space. However, a portion of the space is occupied by office users. The total area of the building is included in our table.

#### Commercial Appraisers of Iowa Survey Summary

As shown in the table, the top eight buildings command rents ranging from primarily \$15.00 to \$28.00 per square foot of rentable area on a full-service basis. The second-tier offices have rents that primarily range from \$10.00 to \$17.00 per square foot of rentable area on a full-service basis. The rental rates have been stable during the past few years.

The survey indicates the top seven buildings have a 2015 vacancy level of 20.4%, which is slightly higher than last year. The second tier office buildings indicate a similar vacancy level of 20% which is also slightly higher than last year.

The overall vacancy level for all the surveyed buildings in 2015 is 20.4%, versus 19.9% for 2014.

Our survey includes the competitive office buildings shown in the table. This survey does not include the owner-occupied or other non-competitive office buildings. The overall office vacancy rate would be lower if all office buildings were included. The CB Richard Ellis Hubbell Commercial Survey, which is summarized as follows, includes both competitive and non-competitive offices.



### CB Richard Ellis Hubbell Commercial Survey

We have also reviewed the *2015 Greater Des Moines Real Estate Market Survey*, published by CB Richard Ellis Hubbell Commercial. According to this survey the downtown office vacancy levels are as follows:

#### CBD OFFICE VACANCY LEVELS CB Richard Ellis Hubbell Commercial

CBD	2006	2007	2008	2009	2010	2011*	2012*	2013*	2014*	2015*	2016*
Class A	1.8%	1.9%	1.7%	4.5%	4.0%	10.8%	10.8%	10.0%	9.5%	8.8%	6.6%
Class B	8.4%	11.1%	14.8%	17.4%	19.8%	20.8%	23.4%	18.7%	18.2%	15.2%	12.5%
Class C	8.1%	8.7%	9.5%	8.0%	9.0%	11.3%	8.0%	12.0%	3.9%	4.5%	3.8%
Total	4.9%	6.5%	6.2%	7.5%	7.9%	13.4%	13.2%	12.4%	10.1%	9.2%	7.3%

\*After 2010, occupancy includes the CBD core and CBD fringe markets, previous years include buildings only located in the CBD core area.

This survey includes both “competitive” and “non-competitive” office space. The survey illustrates higher occupancy levels for the Class A and Class C office space in relation to the Class B space.

The following survey includes a summary of vacancy levels in the entire Des Moines Metropolitan Area. This survey includes the CBD offices, other office properties in Des Moines, and properties in the suburbs.

#### DES MOINES METROPOLITAN OFFICE VACANCY SURVEY CB Richard Ellis Hubbell Commercial

Metro	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Class A	4.4%	5.2%	4.4%	8.3%	7.5%	9.0%	8.6%	8.3%	7.5%	7.1%	6.7%
Class B	10.9%	10.6%	11.4%	14.2%	17.0%	17.0%	20.1%	16.6%	15.7%	14.1%	12.9%
Class C	11.0%	10.1%	10.4%	11.4%	13.1%	12.8%	9.7%	12.3%	7.6%	8.5%	8.0%
Total	7.8%	7.8%	7.6%	10.4%	11.1%	11.7%	11.5%	11.0%	9.6%	8.9%	8.3%

The survey indicates that vacancy levels have decreased over the past three years for the CBD and for the entire metropolitan area.

## **OTHER MAJOR CBD PROJECTS**

### **Krause Gateway Center**

Construction recently started for a new four-story, 160,000 square foot office headquarters for Kum & Go. The project is located north of the Pappajohn Sculpture Park, west of Wellmark headquarters. The building is estimated to cost around \$150 million and is expected to be complete in 2018.

### **Iowa Events Center & Hotel**

This project included construction of an exhibition hall, an Iowa Hall of Pride (showcase for high schools) and a 16,000-seat arena. It also included renovation of the Veterans Memorial Auditorium. This project is located along the Des Moines River, south of Interstate #235. The project cost more than \$200 million.

A \$101 million, 8-story Hilton hotel is under construction at the corner of 5<sup>th</sup> Avenue and Park Street. The hotel is scheduled for completion in 2018.

### **Wellmark Headquarters**

The Wellmark headquarters completed in 2010. The \$194 million project is located between Grand Avenue and High Street and 11<sup>th</sup> and 14<sup>th</sup> Streets. The building is approximately 600,000 square feet and is occupied by approximately 1,700 employees.

### **Gateway West**

In addition to the previously described construction in this park, a new library was recently constructed on the southwest corner of 10<sup>th</sup> Street and Grand Avenue. The old library building (100 Locust Street) is planned to be used as a World Food Prize Headquarters.

### **Intermodal Transportation Facility**

A 1,300 car park and ride facility was constructed along the north side of Center Street, between Sixth and Seventh Streets. This facility provides parking along with a service drop-off and collection point for inner-city transit commuters. It also includes a shuttle bus station and a day care. The Principal Financial Group has several office buildings near the facility and leases 900 of the parking spaces.

### **State Building**

A State Judicial Branch Building was recently constructed south of Court Avenue, south of the Capitol. This project cost approximately \$27,000,000 and is home to the State Supreme Court and Court of Appeals.

### **Riverpoint**

Hubbell Realty Company has been constructing one-story flex buildings just south of the CBD along Southwest 7<sup>th</sup> Street since 1972. These buildings consist primarily of office space with a small percentage of storage/warehouse space.

### **Science Center/Other**

A new science center and IMAX theater were constructed near Martin Luther King, Jr. Parkway (MLK Parkway).

The MLK Parkway was constructed in the south portion of the CBD and forms a southern beltway through the area. This street was recently extended over the Des Moines River to Highway #65 to the southeast.

### **Grays Lake Development**

Various industrial properties have been purchased for redevelopment purposes south of the CBD. The parcels are located south of the new Martin Luther King Jr. Parkway. The potential developments include office, hotel, retail and residential uses.

### **CBD Housing**

There have been numerous housing projects completed over the past ten years in the CBD. The majority of the completed projects have consisted of renovating older warehouse or office buildings. There have also been new residential construction projects completed with several projects either under construction or planned to be built over the next two years.

### **Conclusion and Trends**

The Des Moines CBD recently has seen moderate improvement in vacancy levels over the past few years due to some office buildings being converted to multi-family housing. However, vacancy levels in competitive office space will likely remain moderately high due to large corporate users building new facilities and with buildings competing for new and renewal tenants. The residential demand has had a positive influence on values for land and older buildings in the neighborhood.

## NEIGHBORHOOD DESCRIPTION

### General

The subject property is located immediately south of the Des Moines Central Business District (CBD). The neighborhood is heavily influenced by the CBD, but is a separate neighborhood area. The neighborhood has been changing over the last several years, following construction of Martin Luther King, Jr. Parkway.

The neighborhood is generally bounded by MLK, Jr. Parkway on the north, the Des Moines River on the east, and the Raccoon River on the south and west. This neighborhood was previously an industrial/warehouse district that was developed in the late 1800's and early 1900's through approximately 1950. It has been in a redevelopment process since that time.

### Neighborhood Development

The major properties in the neighborhood include the Sec Taylor Stadium on the east and the Riverpoint Business Park in the south central area.

The Riverpoint Business Park includes several buildings west of Southwest 9<sup>th</sup> Avenue and numerous buildings between Southwest 3<sup>rd</sup> Street and Southwest 9<sup>th</sup> Avenue. There is a three-story modern office building at 500 Southwest 7<sup>th</sup> Street that has 89,200 square feet. Most of the buildings are one-story modern office/flex/warehouse buildings. Many of the buildings were developed with 30% to 60% office space and have had additional office improvements over the years so that many are now 100% office. The Hubbell Realty Company has been developing Riverpoint since 1972. There have been several new buildings constructed in the last 10 years.

A Minneapolis-based developer, Sherman & Associates, has partially developed the "Gray's Landing", a mixed use group of parcels, south of MLK, Jr. Parkway and west of SW 9<sup>th</sup> Street, in the western portion of the neighborhood. This part of the neighborhood was previously developed with older industrial uses that are now for the most part vacant, idle, or demolished. The development will consist of office and retail uses along the arterial streets, with condominium and apartment uses in the interior portions. The existing developments include a Holliday Inn Express, with a current push for a 3-story, 75,000 square foot office on MLK.

The Hubbell Realty Company announced plans, as of January 28, 2017, for "Gray's Station", a 75-acre development lying East of DICO, north of the Raccoon River, and west of SW 11<sup>th</sup> Street, and south of the above described "Gray's Landing". This part of the neighborhood was previously developed with older industrial uses that are now for the most part demolished. The proposed development includes 1,100 housing units, consisting of high-end homes, apartments, condos, storefronts, parks and wetlands.

**Martin Luther King, Jr. Parkway**

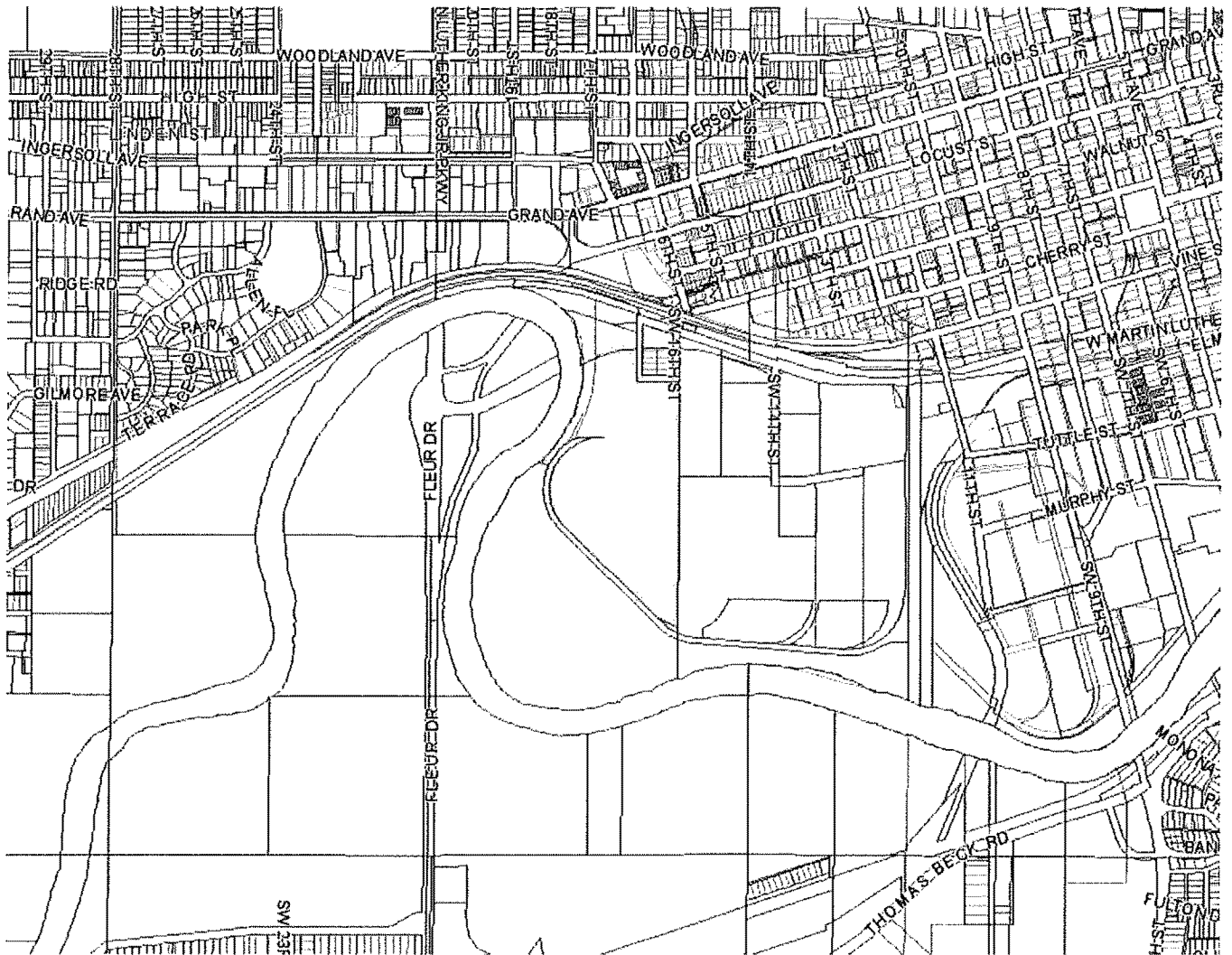
The Martin Luther King, Jr. bypass was completed between Southeast 30<sup>th</sup> Street on the east and Fleur Drive on the west. The bypass provides access to the CBD office properties to the north and to the Riverpoint properties to the south.

The neighborhood has developed as a mix of office and warehouse uses and provides an alternative near the CBD for office facilities. Unlike most of the CBD properties, all of the buildings in the RiverPoint area have on-site parking.

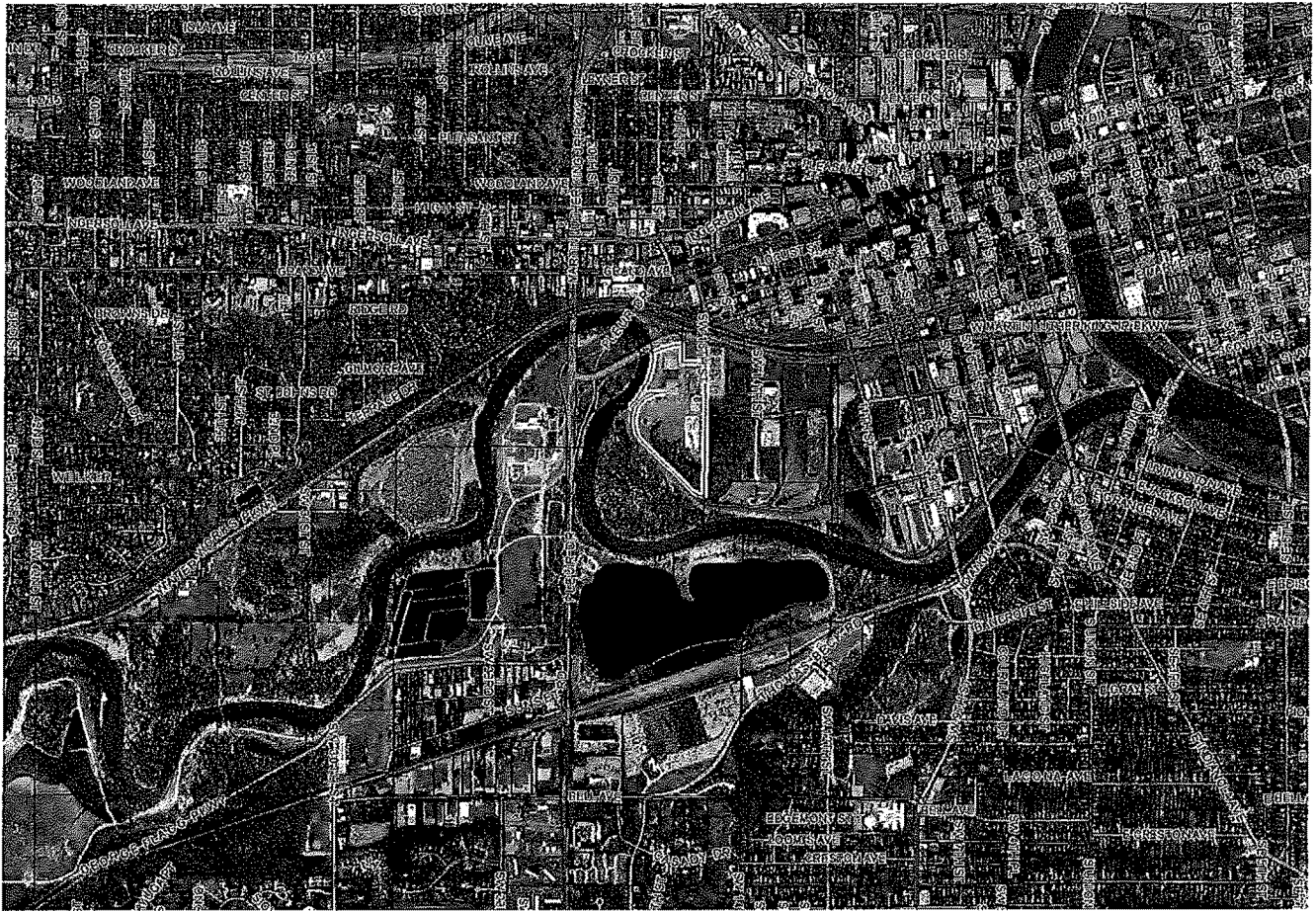
**Summary**

In summary the neighborhood has been experiencing steady redevelopment over the past 15-years. The trend for the neighborhood is for continued expansion, which has been spurred by the construction of the MLK, Jr. Parkway.

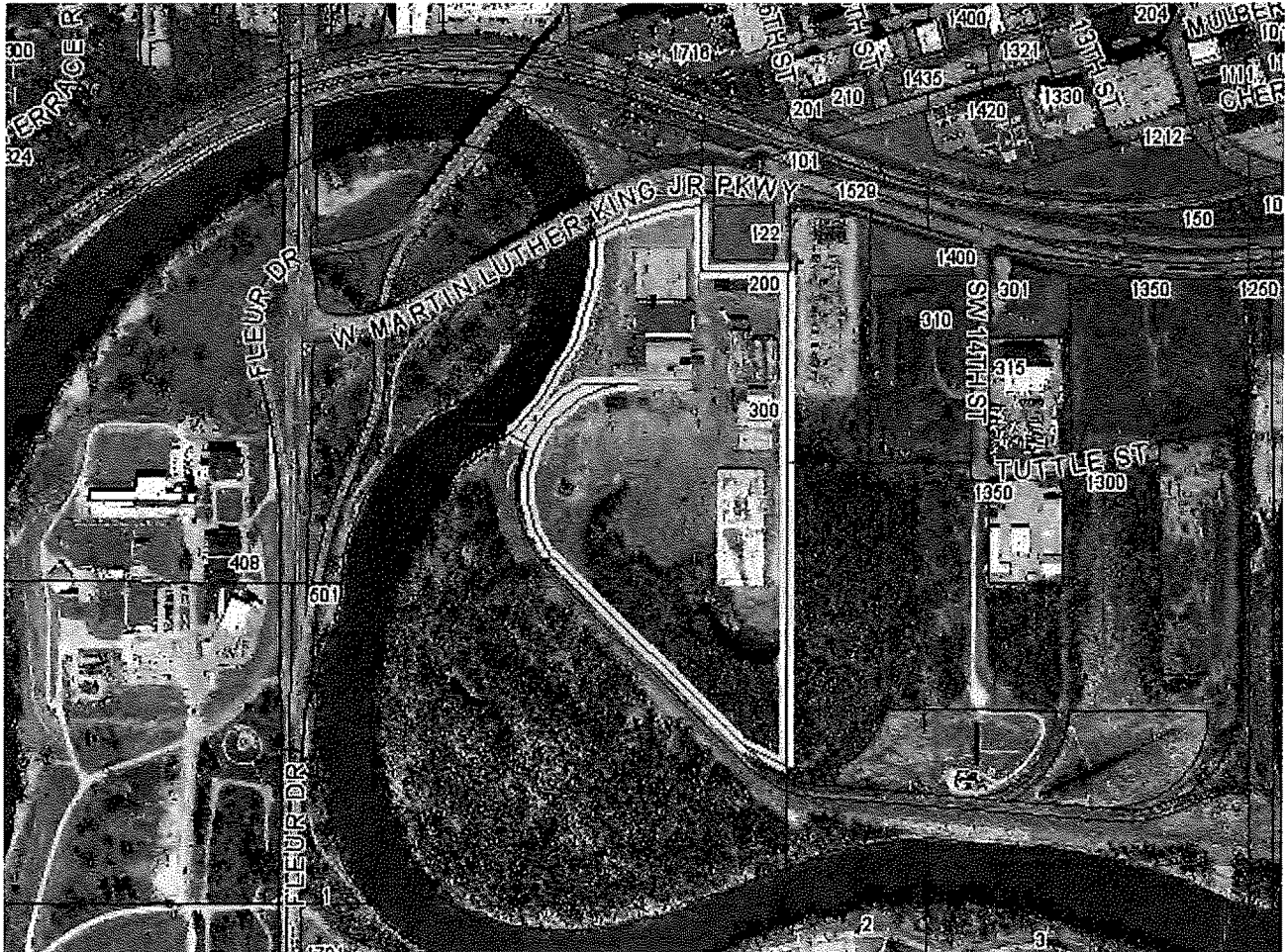
ASSESSMENT PARCEL MAP



**AERIAL PHOTO – SUBJECT NEIGHBORHOOD**



**AERIAL PHOTO – PARENT TRACT**





**AERIAL PHOTO – PARENT TRACT**



## SUBJECT PHOTOGRAPHS

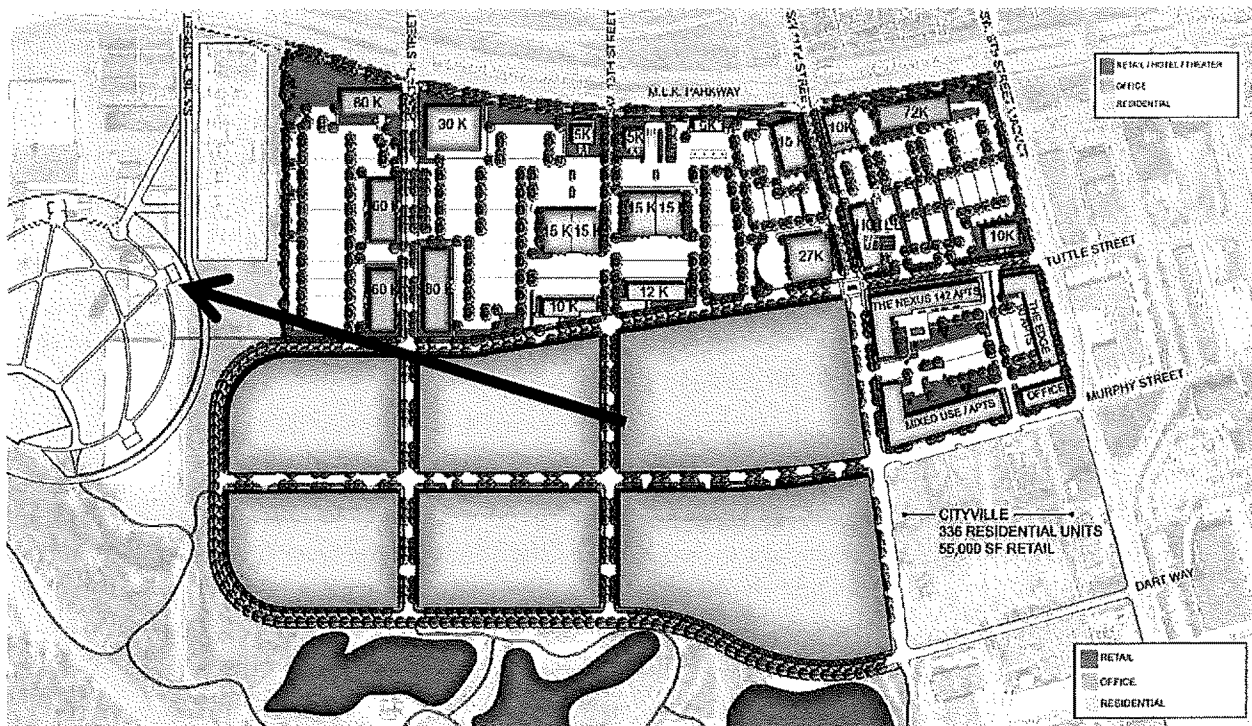


Bird's Eye Facing Westerly



Bird's Eye Facing Easterly

## GREY'S LANDING SKETCH



The subject is immediately west of the future "Grey's Landing, Grey's Station" developments.

## **SITE DESCRIPTION - BEFORE**

### **Size/Frontage/Boundaries**

The site is an irregular tract of 1,665,298 square feet (38.23 acres) located south of Martin Luther King Parkway near the CBD of Des Moines, Iowa.

The site has approximately 480 front feet along Martin Luther King Jr. Parkway, has an additional 300 front feet along City of Des Moines land which was purchased by the City for right-of-way for Martin Luther King Parkway. The site has a north/south depth of approximately 2,300 feet. The majority of the site has an east/west width of approximately 600 feet to 1,000 feet. The site is bounded on the east by a power company electrical sub-station and vacant land, and is bounded on the west and south by the Raccoon River, a levee of the Raccoon River, and a railroad owned right-of-way.

### **Flood Hazard Area**

According to the Flood Insurance Rate Map, the site is designated as Zone X. Zone X, in this vicinity, represents lands protected from 100 year flood by levee. The western and southern property boundary includes lands that comprise the river levee which protects the subject and other neighborhood properties. It also appears that a portion of the total subject site is subject to easement for construction of the levee. We had not reviewed specific easement documents related to the levee. But we estimate that less than 5% of the total land area would be attributable to easement land or the levee.

### **Streets**

Martin Luther King Jr. Parkway is a major east/west arterial near the subject property. It provides convenient access to the south portion of the Des Moines CBD. It has 3 lanes, plus turn lanes, in each direction in the vicinity of the subject property. The site also has access to the end of SW 16<sup>th</sup> Street, at the northeast corner of the site. Southwest 16<sup>th</sup> Street is a secondary street which provides access to the subject property and also crosses Martin Luther King Parkway towards the north, serving the west portion of the CBD.

### **Topography**

The site has level topography, at an elevation similar to street elevation.

### **Easements and Encroachments**

We assume there may be some easement area associated with the river levee along the edge of the property.

There is an easement for above-ground power lines running east/west across the approximate center of the parcel.

There are no other major easements or encroachments which would have a measurable impact towards the value of the property.

**Utilities**

Sewer, water and typical city utility services are nearby available.

**Soils**

We have performed no soil analysis. The soils are assumed to support those uses deemed to be the highest and best use of the land.

**Access**

The site has access to SW 16<sup>th</sup> Street, which provides access toward Martin Luther King Jr. Parkway.

**Zoning**

Records indicate 1,585,416 square feet ( 95% ) the land area is zoned as C-3B, Central Business Mixed Use District. This zoning allows a wide variety of commercial and light industrial uses now seen in the neighborhood. The zoning was changed from M-1, Light Industrial, to C-3B, on May 23, 2005.

The remaining land, 79,882 square feet ( 5% ) of the total land area, is listed as being zoned FW-Floodway District. The floodway land area runs along the river and has minimal measureable contributory value.

**Ground Contamination**

The site and the buildings at the site were covered by a Unilateral Administrative Order for Removal Action (UAO) dated March 4, 1994. The UAO specifies Operable Unit #4 which covers almost all of the southern 2/3rds of the subject site and buildings. It is also referred to as the Des Moines TCE Site, Operable Unit #4. We have reviewed many reports covering remedial investigation from 1995, 5 year review reports for September 2007, a report titled Planning for the Future; a reuse planning report for the Des Moines TCE Super Fund Site, DICO property, dated December 2006, and several other reports.

The site has substantial quantities of known underground contaminations along with substantial amounts of known building contaminations. The ground and building contaminations are specified in the reports, which have been retained in our files. The existence of the ground and building contamination has major impacts on the usability or reusability of the subject site. These issues are discussed in later sections of this appraisal report.

**Extraordinary Assumption**

**The estimate of market value of the site is contingent upon the following extraordinary assumptions. The item is defined as "extraordinary" per the definition contained in the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Institute. The definition of extraordinary assumption is included in this report.**

**At the request of our client, the City of Des Moines, the appraisal shall be subject to the following assumptions:**

- 1) Allowable uses are limited to the following due to known environmental contamination and EPA Superfund status: Civic open space uses, performance venue, and athletic stadium and associated recreational programming.
- 2) All buildings, including building floors and foundations, are assumed to be demolished and removed from the site.
- 3) The existing environmental remediation system shall remain in place and the EPA Superfund status will remain.

**Our estimate of market value would require review and modification if it were not contingent upon the extraordinary assumption.**



## NARRATIVE DESCRIPTION OF IMPROVEMENTS

### General

The table below lists the existing buildings.

Building Data-After building removals during 2007									
EPA Name or #	Assmt #	Bldg Type	Year Built	Ground Area	Height	Upper Floors	Upper Ht.	Bsmt	EPA OU #
Office	101.1	Office	1946	12,000	12				2
Office	101.2	Whse	1946	6,160	16			600	2
1 & 2	201.1	Whse	1956	42,520	12				4
3	301.1	Whse	1960	14,800	14				4
3*	301.1	Whse		removed					4
Maintenance*	401.1	Whse		removed					4
4/5*	501.1	Whse		removed					4
Production	601.1	Whse	1966	21,504	16				2
Production	603.1	Whse	1963	32,403	16	15,905	24		2
Production	604.1	Whse	1954	29,568	14				2
Production*	605.1	Whse		removed					2
Total/Ave			1958	158,955	14			175,460	

\* The 4 building sections which are \* and outlined in two boxes above are the buildings or building sections which were removed during 2007. The building frames, sidings, roofs and building materials were removed during 2007. However, the building floor and foundation do remain as of our current date of valuation, February 6, 2017. In each case there is a concrete floor with an assumed foundation, concrete foundation walls and concrete column foundation footings. The remaining concrete floors show on the air photos included in this report.

### Quality, Age, Condition & Remaining Economic Life

Assessment records indicate the remaining plant buildings were constructed between 1946 and 1966. The average year built, weighted by buildings square feet is 1958. The property has been idle for most of recent years. The buildings are in very poor condition and at the end of their normal economic life.

### Building Contamination Issues

The listed buildings are designated as being in EPA Operating Unit #2 and EPA Operating Unit #4.

The buildings which are governed under Operating Unit #4 have the seal applied to the interior surfaces, and these buildings have more extensive and more expensive removal and disposal requirements than normal buildings.

The buildings that are governed under Operating Unit #2 do not have as severe of special removal or disposal requirements and are typical of other older buildings in the marketplace regarding demolition practices.

We are providing this appraisal given the extraordinary assumption the all of the buildings have been demolished and removed. (see below)

**Extraordinary Assumption**

**The estimate of market value of the site is contingent upon the following extraordinary assumptions. The item is defined as “extraordinary” per the definition contained in the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Institute. The definition of extraordinary assumption is included in this report.**

**At the request of our client, the City of Des Moines, the appraisal shall be subject to the following assumptions:**

- 1) Allowable uses are limited to the following due to known environmental contamination and EPA Superfund status: Civic open space uses, performance venue, and athletic stadium and associated recreational programming.**
- 2) All buildings, including building floors and foundations, are assumed to be demolished and removed from the site.**
- 3) The existing environmental remediation system shall remain in place and the EPA Superfund status will remain.**

**Our estimate of market value would require review and modification if it were not contingent upon the extraordinary assumption.**



## HIGHEST AND BEST USE

This section seeks to determine the most profitable use of the subject land, as if it were vacant, as well as the improved property. According to *The Dictionary of Real Estate Appraisal*, Fifth Addition (Appraisal Institute, 2010), highest and best use is defined as follows:

The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.

### Contamination Issues

The subject property is unique in that it suffers from historical soil, ground water, and building interior contamination which is regulated by the EPA. The amount and types of soil and building contaminations are documented in several lengthy research and feasibility studies, including the Feasibility Study for OU4- Black & Veatch Special Projects Corp., and the Remedial Investigation for OU4- Black & Veatch Special Projects Corp.

In order to properly analyze the highest and best use of the subject site, both as if vacant and as improved, we have considered the traditional step by step process of highest and best use analysis, and we included in that process, issues associated with known property contamination.

## HIGHEST AND BEST USE – AS IF VACANT SITE

### Physically Possible

The site area is 1,665,229 square feet, or 38.23 acres. With its topography and access to a public street, the site has many physically possible uses. It is assumed the site would support those improvements that represent the highest and best use. It does not appear the physical aspects of the site (*disregarding contamination problems*) would significantly prohibit the construction of any improvements, within the confines of its size.

### Legally Permissible

The highest and best use of the site must also be legally permissible. Private deed restrictions and municipal zoning restrictions are the most common considerations. To our knowledge, there are no private deed restrictions on this property that negatively affect value.

The majority of the site (1,583,285 SF, or 36.35 acres) is zoned C-3B, Central Business Mixed Use. This zoning intent is:

“The C-3B central business mixed-use district is intended to provide for medium to high density residential and medium to high intensity pedestrian oriented office, retail, commercial, and mixed-use (commercial/residential) development. It is intended this district not be mapped outside the downtown area.”

This zoning allows most industrial, warehouse, and commercial service uses now seen throughout the neighborhood. In addition, this zoning allows most office and residential uses. The zoning is flexible and allows many types of uses.

The balance of the site (81,834 SF or 1.88 acres) is zoned FW- Floodway Use. This zoning is very restrictive, and does not allow any building use. This floodway zoning is located along the west edge of the property, along the riverfront. We believe this land area, zoned floodway, is also subject to easements associated with the existing levee, which protects the rest of the site and the neighborhood from floods.

Floodway land, if not covered by easement and/or not in steep slope, can occasionally be used for equipment or inventory storage and can be sometimes used for vehicle parking. However, in the case of the subject property, we conclude that the floodway land area, approximately 2 acres or 5% of the total land area, has no practical value. We will proceed with our valuation analysis excluding the amount of land area covered by floodway zoning which is also covered by flood related levee easements or defacto easements.

We therefore conclude that the effective land area for valuation purposes is 1,583,285 square feet, and this land is zoned for Central Business District Mixed Use.

There are pre-existing easements including a power line easement running east/west across the center portion of the site. These types of easements do not allow building construction in the easement area. These easements do allow yard and parking and driveway uses in the easement area. There are existing buildings in this easement area also.

#### **Additional Special Assumption Regarding Property Uses**

**At the request of our client, the City of Des Moines, the appraisal shall be subject to the following assumptions:**

- 1) Allowable uses are limited to the following due to known environmental contamination and EPA Superfund status: Civic open space uses, performance venue, and athletic stadium and associated recreational programming.**
- 2) All buildings, including building floors and foundations, are assumed to be demolished and removed from the site.**
- 3) The existing environmental remediation system shall remain in place and the EPA Superfund status will remain.**

The above special assumptions further limit the potential uses and eliminate many of the typical C-3B uses. The special assumption eliminates the following typically allowed uses:

medium to high density residential, and all other residential uses

medium to high intensity pedestrian oriented office, retail, commercial, and mixed-use (commercial/residential) development, except, the specifically allowed “civic open space uses...”.

The remaining allowed uses included specific typically commercial uses of performance venue, sports stadiums, and recreational uses. The allowed uses include the typical high-school or professional areas, and venues for music concerts, fairs, farmers markets, and related uses. We assume this would include the support buildings necessary for such commercial style uses.

We discussed the likely construction general procedures with Mary Peterson, Staff Member of EPA Region 7. She reports that the most likely construction procedures would include cutting the existing asphalt cap at all of the future street, floor, and foundation locations, and appropriately removing and disposing of any contaminated soils. It is most likely that the remaining asphalt cap would be left in place and/or replaced with appropriate clay capping and there would most likely be imported fill added as needed.

#### **Financially Feasible**

Of those physically possible and legally permissible uses, we must determine which are financially feasible. Specifically, which uses are likely to produce an income or return equal to or greater than the amount needed to satisfy operating expenses, financial obligations and capital amortization. All uses that are expected to produce a positive return are regarded as financially feasible.

The subject property is located on the edge of the Des Moines CBD. The nearby properties included industrial and light industrial and warehouse uses for many years from the early 1900's until the late 1990's. During the last 15-years, there was substantial industrial building removal and site re-development throughout the neighborhood. There were many commercial, apartment/condo, and office buildings constructed. There is substantial neighborhood parking and commercial buildings providing service to the Des Moines CBD and a variety of office and residential uses.

We conclude, if the site did not have contamination issues, and if it were vacant, that most of the neighborhood redevelopment uses would be financially feasible. The financially feasible uses would include office, commercial service, CBD support services, and multi-family residential uses.

However, the contamination related special use assumptions limit the legally permissible uses to a specific set of “Civic open space uses, performance venues, and athletic stadium and associated recreational programming”. The issue is then whether these specific uses would be financially feasible.

We observe that there are many new uses being developed throughout the subject neighborhood. The Gray's Landing development now has a new Holiday Inn Express hotel and there are two new apartment complexes under construction. In addition the nearby land is being offered for a mixture of retail, office and multi-family uses.

We are also aware that the Hubbell Companies are under due diligence to acquire the 75-acres south of Gray's Landing and north of the Raccoon river, adjacent to the subject property, for the Gray's Station residential development, and we assume some related commercial uses.

We observe that there is a long history of existing stadium style use in the neighborhood at the Sec Taylor Baseball Park.

The construction of the Martin Luther King Parkway along the north edge of the subject property has provided very high quality access and connections between the subject site and large portions of the Metro population. The Martin Luther King Parkway has excellent access to the I-235 central freeway system and excellent access to the entire southeast side and south side of Des Moines. It is obvious that the development of the Martin Luther King Parkway over the last 7 years has spurred all types of development in the neighborhood immediately south of the Des Moines CBD.

These are all factors that would indicate reasonably high probability that performance venues, including music concert arenas and athletic stadium facilities would have the high quality access, parking availability, and sufficient populations to indicate financial feasibility. The continued growth of commercial and multi-family development all located immediately east of the subject property, along with the substantial populations located and active in the nearby Des Moines CBD, indicate reasonable demand would be available to make the types of uses financial feasible.

We conclude that the specified uses would likely be financially feasible, whether sponsored by government or quasi government operators and/or fully or partially sponsored by private sports, entertainment or recreation organizations. These types of functions, including sports stadiums, music and performance venues, and other recreational uses would likely require some form of government assistance and/or subsidies to make of the operation financially feasible, and that is a reasonable assumption in this analysis. We conclude that the permissible uses would be financially feasible, given the typical types of government and/or non-profit financial assistance.

#### **Maximally Productive-If Vacant**

Of the financially feasible uses, the use that provides the highest price or value is the highest and best use. It is our conclusion that the highest and best use, give the specified use limitations, is for a mixture of sports stadiums, music and performance venues, and other recreational uses.

## LAND VALUATION

The essence of the land sales comparison approach is to discover what similar properties have sold for recently in the local market, and after an appropriate adjustment process, to develop indications of what they would have sold for if they had possessed all of the physical and economic characteristics of the property being appraised.

We researched the market for sales that would provide a good indication of value for the property being appraised. We have chosen several sales for presentation within this section. The most consistent indicator of value is the sale price per square foot and adjustments have been made on this basis.

The comparable data are summarized in the following table. Additional information on the sales is included in the Addendum.

Comparable Land Sales							
Sale	Location	Size SF	Sale Date	Price	Price /SF	Grantor	Grantee
1	1350 W MLK Pkwy	477,369	08/08/07	\$ 3,900,000	\$ 8.17	Point West,LC	Sherman Assoc
2	406 SW 9th	425,298	05/28/08	\$ 1,768,000	\$ 4.16	Hubbel Realty	RiverPointWest LC
3	1818 48th	174,229	05/26/16	\$ 897,500	\$ 5.15	Catholic Health	Hubbel Props I LC
4	3410 Beaver	159,628	02/29/16	\$ 1,490,000	\$ 9.33	Beaverdale Inv	Hubbel Props I LC
4	700 E 4th St	314,386	05/28/15	\$ 1,925,000	\$ 6.12	Pricipal Life	Hubbel Realty
4	2301 Irvinedale	1,825,164	05/20/16	\$ 1,688,000	\$ 0.92	Bill Kimberly	CD Developer
Subj.	200 Sw 16th	1,583,285					

The Land Sales Comparison Adjustment table follows. It is a presentation of the essential data for each sale the adjustments we deemed necessary. An adjustment greater than 1.00 indicates that the comparable sale is inferior to the subject property in that regard. Conversely, an adjustment less than 1.00 demonstrates that the sale is superior to the subject property in that regard. We proceed to multiply the adjustment percentages to arrive at the overall adjustment, and the indicated value for the subject property.

# Land Sales Comparison Adjustment Table

Subject	Sale #1	Sale #2	Sale #3	Sale #4	Sale #5	Sale #6
200 SW 16th 1350 W MLK Pkwy	406 SW 9th	1818 48th	3410 Beaver	700 E 4th St	2301 Irvinedale	
Des Moines	Des Moines	Des Moines	Des Moines	Des Moines	Ankeny	
Data	Data	Data	Data	Data	Data	Data
Sale Price	N/A \$3,900,000	\$1,768,000	\$897,500	\$1,490,000	\$1,925,000	\$1,688,000
Price / SF	N/A	\$8.17	\$4.16	\$5.15	\$9.33	\$6.12
Prop. Rights Conveyed	N/A	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Cash Equivalency	N/A	Typical	Typical	Typical	Typical	Typical
Conditions of Sale	N/A	Typical	Typical	Typical	Typical	Typical
Market Conditions	01/31/17	08/08/07	05/26/16	02/29/16	05/28/15	05/20/16
		1.00			1.00	1.00
Adjusted Sale Price	N/A	\$3,900,000	\$1,768,000	\$1,490,000	\$1,925,000	\$1,688,000
Adjusted Price/SF	N/A	\$8.17	\$4.16	\$5.15	\$9.33	\$6.12
Location	Good	Similar	Inferior	1.20	Equal	1.00
Area SF-excludes FW	1,583,285	477,369	0.80	425,298	0.70	159,628
Topography	Level	Similar	Superior	0.90	Superior	0.90
Utilities	All	All	All	All	All	All
Site Shape & FF	Irreg-low frontage	Superior	0.80	Superior	0.90	Superior
Easements	Powerline	Minor	0.95	Minimal	0.95	Minimal
Zoning	Limited	Commercial	0.50	C-O	DR	SF Homes
Ground/Soil Contamination	Major Problem(1)	No	NFA	No	No	No
Net Adjustment		0.30	0.36	0.40	0.32	0.33
Adjusted Price / SF		\$2.48	\$1.52	\$2.07	\$3.02	\$2.01
						\$2.50

(1) The subject property has major soil contamination problems that would require remediation for alternate redevelopment. The comparable properties do not suffer severe soil contamination problems. The adjustment to each sale would be similar whether made in percentage or dollar adjustments. We will make the adjustment after our reconciliation excluding this factor.

## **Justifications for Adjustments**

**Property Rights Conveyed** - The adjustment most often required for property rights conveyed is for the existence of a leasehold position. This adjustment reflects the impact of leases on property value when contract rents differ from market rents. No adjustments were necessary for this category.

**Cash Equivalency** - If a comparable sale occurred under conditions other than cash to the seller, then a cash equivalency adjustment may be necessary. No adjustments were necessary for this category.

**Conditions of Sale** - This adjustment considers buyer or seller motivation. Conditions of sale may include desperation exchanges, tax ramifications, reinvestment or condemnation money, assemblage, non-arm's length transactions, and other situations.

**Market Conditions** – Adjustments are made in this category to reflect the increase or decrease in property values between the date of comparable sale and valuation of the subject property. Land market values were increasing on a regular basis in the CBD and near CBD area during the years 2000 through part of 2007. Property occupancies were good and there were numerous large office and other types of building developments which placed upward pressures on land values.

Land values stabilized during 2007, and then went through a major decline following the regional and national downward economic trends. Market values of all types of commercial investment and land development properties generally declined during 2008 through 2010. Land values then increased as the national recession ended and land redevelopment began anew beginning around 2012.

We have used 2 land sales from the immediate subject neighborhood which occurred in 2007 and 2008. We conclude that the neighborhood land values declined from 2008 through 2011, and then fully recovered as of 2015 through 2017. We conclude that the outlook for near term neighborhood land development was approximately equal both in 2007/2008, before the crash, as it is today, following recovery and numerous new residential and commercial developments occurring during the last 2 years. We lack any recent neighborhood "arm's length" sales and conclude the 2007/2008 sales are still valid indicators of current market value, along with more recent sales obtained from other competing neighborhoods.

We are appraising the property as of January 17, 2017 and we conclude that no market conditions adjustment is required in this case.

**Adjustment for Sale Property Building Demolition** –The comparable sales represent urban redevelopment properties. It is often necessary to acquire land parcels which have older buildings at the end of their economic life. It is normal assessment practice to add the typical demolition cost associated with urban land development in cases where the highest and best use of the property was for demolition and redevelopment. That was the case for several sales. We have added the demolition costs associated with the removal of the buildings to arrive at the land value shown at the top line in the table. The demolition adjustment is made on the sale data sheet contained in the addendum.

**Location** – This category takes into consideration the location of the comparable sales in relation to the subject property. The major factors considered were visibility from traffic arteries, the type and quality of development in the area, and acceptance for development in that location by the market.

This category has not considered the relative amount of street frontage available at the subject versus comparables. We have made separate adjustments for relative amount of street frontage and for land shape factors.

**Site Area** – Size adjustments were made to reflect the impact of economies of scale. As a larger tract of land is purchased, its sale price per acre will typically decrease.

**Topography** – The subject property has level and relatively low topography that would likely require substantial amounts of fill for typical redevelopment. That is also the case for sales #1 and #2. The remaining sales had superior buildable topography and we applied downward adjustments.

Please note that we have not made an adjustment for floodway land area. We have concluded that the floodway land area has almost no measurable contributory value for the subject and we have excluded the floodway land area from the calculations.

**Utilities** – The subject property has full public utility and city services. The sales require no adjustments.

**Site Shape and FF-** An irregular shape generally decreases the utility of a site and lowers the sale price. The subject property has an irregular shape, with a triangle section at the south. This is a negative factor. In addition, the subject has a relatively low amount of street frontage. We have adjusted each sale for the shape and relative amount of frontage.

**Easements** – The subject property has a powerline easement. The sales do not have large easement areas and we applied downward adjustments.

**Zoning and Use Limitations** – The site is zoned C-3B Central Business District Mixed-Use. However, there are additional use restrictions specific to our appraisal assignment. We are appraising the property assuming it can only be used for the



specified uses, including civic open space use, performance venue, athletic stadium, and associated recreational programming. We conclude that the limitation allows a few specific public and commercial style uses. We conclude there is likely sufficient demand to make such uses feasible with typical government incentives that are often time related to such uses.

For comparison purposes, we consider the allowed uses to be in a value rank substantially below C-3B CBD use, and somewhat above the most restrictive single-family residential use that is allowed for some suburban development parcels. We consider the specific allowed uses to be at a lower value ranking than almost all commercial zonings, and at a higher value ranking than single-family residential zoning, but below the value of medium density and higher density residential zonings.

We have given consideration to sales with a variety of zoning characteristics. We have made downward adjustments to the commercial zoned properties, a smaller downward adjustment to the limited commercial property, such as a commercial-office zoning, and we applied an upward adjustment to a sale that allows only single-family home use.

**Additional Development Land Sale Information** – We are also aware through published reports and individual contacts that the Hubbell Company has a purchase agreement which is under due diligence, whereby the Hubbell Company is acquiring approximately 75 acres of railroad property which is to be known as Gray's Landing. This 75 acres is immediately east of the south portion of the subject property. There is no published sale price and no known sale price associated with this potential purchase of 75 acres. We contacted representatives of the Hubbell Company and were unable to obtain any sale price information, the Hubbell Company reported there are too many "due diligence" items of concern for the property and they are unable to release any potential sale price information. If the parcel passes through the due diligence procedures, the sale is expected to close during the summer of 2017. No sale price is associated with this potential transaction.

**Land Valuation – Assuming No Contamination, As if Vacant**

After adjustments, the comparable sales provide indicators of value which range from \$1.52 per square foot to \$3.02 per square foot. We reconcile to a market value, assuming no ground contamination, of \$2.25 per square foot. Value is estimated as follows:

<b>As if Vacant and not contaminated</b>					
Land Area, excluding floodway	1,583,285	SF @	\$2.25	/SF	= \$3,562,391
Rounded to:					\$3,560,000

### **Adjustment for Site Contamination**

The site has severe problems with known ground and soil contamination. We have reviewed the EPA feasibility studies along with a reuse planning report prepared in November of 2006 and numerous other documents regarding the site contamination issues. The 1996 feasibility study shows costs associated with various types of site contamination clean up (exclusive of building contamination problems) at costs ranging from minor amounts up to \$1,240,000.

The 2007 Reuse Planning Report identifies a major factor that the land which is located underneath the building footprints has far lower amounts of probable contamination, than other adjacent land. The land previously under a building would have the least restrictive rules and regulations and the lower cost for soil clean-up.

That feasibility study indicates that a likely approach may be to construct buildings over the more heavily contaminated soil areas, with non-building necessary functions over the areas that previously had building floor areas. In any case there is no absolute dollar amount that a purchaser can plan to spend to remediate the soil problems. Rather the soil problems will require certain amounts of remediation and will cause certain amounts of increased building construction costs associated with resolving soil contamination issues.

The 2006 Reuse Planning Report indicates the ability to put roadways in some of the contaminated areas with the allowance for development areas in the less contaminated areas. It is difficult to accurately measure the amount of downward adjustment associated with this major soils contamination problem. However it is absolute that a downward adjustment would be applied, and such adjustment would be relatively large, whether measured in percentage or measured in dollars.

It is extremely rare that a property with severe contamination issues, like the subject property, has sold in our marketplace. The subject property has more severe contamination issues than is the case for almost all other potential sale properties in the marketplace. Therefore we are unable to simply extract a dollar or percentage adjustment to apply in the subject case. We have observed sale discounts which have been applicable to properties which have lesser amounts of contamination problems.

We have observed sales of former gas station sites for alternate commercial use where there was known contamination. In those cases where a No Further Action (NFA) letter had been obtained from the Iowa DNR, there was still a downward adjustment observed in the sale price for the site. In cases where a third-party with high credit quality, such as a major oil company, was responsible and liable for contamination problems, there would be a lower observed discount. This is because the typical buyer was confident that contamination issues would be left in the hands of the third-party oil company guarantor. If the soil contamination problems were potentially to become the responsibility of the purchaser, then a larger discount would have been observed. We do not have specific evidence of such discounts but have observed these discounts occasionally, over many years. We observed discounts that ranged from 10% to 30% for typical gas station style soil contamination issues. It is difficult to measure but we assume that the discount or reduction in value at the subject property would be substantially greater.

The current owner of the subject property, DICO, is required to provide the United States Environmental Protection Agency (US EPA) monthly and annual reports regarding statistics and compliance with the EPA operating unit items 1 through 4. The reports are prepared by engineering firms at the expense of the landowner. In addition, the current property owner is required to maintain the air-stripping system, which is known as a "pump and treat" system. That system is approximately 30-years old. It is housed in a concrete tower on the property that is approximately 30 feet tall. In addition, there are numerous other monitoring wells and monitoring facilities on the site.

In addition, the property owner is required to maintain the air-stripping system and other monitoring systems. The property owner is also required, over the long term, to replace the air-stripping system if necessary. EPA staff members believe there is newer technology which would allow for creation for an air-stripping system with a smaller footprint and at a similar, but different location.

The cost of annual maintenance of the necessary systems along with the annual cost of engineering reports to meet US EPA filing requirements is estimated to be between \$25,000 and \$50,000. This annual cost is now paid by the property owner, DICO, and our appraisal is made assuming that the future owner of the subject property would be required to continue paying these annual expenses. This is also part of the overall negative factor related to ground contamination and we must make a large downward adjustment to consider both the potential cost to cure the ground contamination and the potential cost to maintain systems and report filings assuming ground contamination is not cured.

There is also the issue of importing fill. In most development situations it is possible to excavate areas and use the excavation for fill in other areas. In this case, most excavations would be disposed of off-site, and imported fill would likely be necessary for proper development. We assume that some amount of imported fill would be required. If we assume a 3' tall fill covering 10 of the effective 36-acres, that is equal to approximately 50,000 cubic yards of fill. The cost of fill varies greatly, but we can estimate a large project of imported fill at this location could cost approximately \$10.00 to \$15.00/cubic yard, or \$500,000 to \$750,000. This is part of the overall negative adjustment for contamination.

We conclude that a downward adjustment between 40% and 60% of the total value would be appropriate. This would be a negative adjustment of approximately \$1,600,000 to \$2,140,000. We will apply a 50% downward adjustment to the indicated raw land value to arrive at the value of the site, as contaminated, and as if vacant.

Land Value, As if Vacant, As Contaminated		
Indicated Value		\$ 3,560,000
Less contamination adjustment:	55%	1,958,000
Indicated Value, as vacant & contaminated		\$ 1,602,000
Rounded to:		\$ 1,600,000

## RECONCILIATION AND FINAL ESTIMATE OF VALUE-AS IF VACANT

Cost Approach	Not Applicable
Sales Comparison Approach	\$ 1,600,000
Income Approach	Not Applicable

### Reconciliation-Before

The sales comparison approach has been developed by analyzing sales of somewhat dissimilar properties. There have not been sales of highly comparable properties and it was necessary to apply large adjustments. This approach is relatively weakened and is given secondary weight to the cost approach.

The income capitalization approach has been developed by estimating the annual net operating income and capitalizing it an overall capitalization rate. This approach is most reliable when there are good indications of market rent, expenses and an overall capitalization rate. Properties similar to the subject property are most often owner occupied and therefore the income analysis is weakened. This approach is given secondary weight to the cost approach.

### Final Estimate of Value – Before

We estimate the retrospective market value of the fee simple fee estate in the subject property, as of January 27, 2017, was: **\$ 1,600,000.**

## CERTIFICATION

I certify that, to the best of my knowledge and belief:

The statements of fact contained in this report are true and correct.

The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and our personal, impartial, and unbiased professional analyses, opinions, and conclusions.

I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.

I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

My engagement in this assignment was not contingent upon developing or reporting predetermined results.

My compensation from completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

I personally viewed the subject property from public right-of-way.

I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment."

No one provided significant professional assistance to the persons signing this report.

As of the date of this report, Patrick J. Schulte has completed the requirements of the continuing education program of the Appraisal Institute.



Patrick J. Schulte, MAI SRPA  
State Certificate # CG01117

**Land Sale No. 1**



**Property Identification**

<b>Record ID</b>	2023
<b>Property Type</b>	Commercial
<b>Address</b>	1350 W. MLK Jr. Pkwy, Des Moines, Polk County, Iowa 50309

**Sale Data**

<b>Grantor</b>	Point West, LLC
<b>Grantee</b>	Sherman Associates, Inc
<b>Sale Date</b>	August 08, 2007
<b>Deed Book/Page</b>	12329-347
<b>Property Rights</b>	Fee Simple
<b>Conditions of Sale</b>	Typical
<b>Financing</b>	Cash
<b>Verification</b>	Jackie Nickolaus, w/Grantee
<b>Sale Price</b>	\$3,500,000
<b>Upward Adjustment</b>	\$400,000 Demo
<b>Adjusted Price</b>	\$3,900,000
<b>Zoning</b>	C-3B
<b>Topography</b>	Level
<b>Utilities</b>	All
<b>Gross Land Size</b>	10.959 Acres or 477,369 SF
<b>Sale Price/Gross Acre</b>	\$319,376 Actual or \$355,876 Adjusted
<b>Sale Price/Gross SF</b>	\$7.33 Actual or \$8.17 Adjusted

**Remarks** Site included 239,160 sf warehouse buildings that are scheduled to be demo'd. Seller is leasing back property until July '08 at a rent that will cover buyer's carrying costs. Site is part of the 125 acre Gray's Lake Office Park. Parcel will be primarily office with retail along MLK.

**Land Sale No. 2**



**Property Identification**

<b>Record ID</b>	2496
<b>Property Type</b>	Commercial
<b>Address</b>	406 SW 9th St, Des Moines, Polk County, Iowa 50309

**Sale Data**

<b>Grantor</b>	Hubbell Realty
<b>Grantee</b>	River Point West, LLC
<b>Sale Date</b>	May 28, 2008
<b>Deed Book/Page</b>	12699-78
<b>Property Rights</b>	Fee Simple
<b>Conditions of Sale</b>	Typical
<b>Financing</b>	Cash
<b>Verification</b>	Jim Weber, w/Grantor
<b>Sale Price</b>	\$1,768,000
<b>Upward Adjustment</b>	\$500,000 Fill & Infrastructure
<b>Adjusted Price</b>	\$2,268,000

<b>Zoning</b>	C-3B
<b>Topography</b>	Level
<b>Utilities</b>	All near
<b>Gross Land Size</b>	9.763 Acres or 425,298 SF

**Indicators**

<b>Sale Price/Gross Acre</b>	\$181,083 Actual or \$232,294 Adjusted
<b>Sale Price/Gross SF</b>	\$4.16 Actual or \$5.33 Adjusted

**Remarks** Grantee purchased for assemblage for proposed Gray's Lake Office Park. Adjusted upward \$500,000 for fill and infrastructure required for development.

### Land Sale No. 3



#### Property Identification

Record ID	4049
Property Type	Commercial
Address	1818 48th St, Des Moines, Polk County, Iowa 50310

#### Sale Data

Grantor	Catholic Health Initiatives, Iowa Corp
Grantee	Hubbell Properties I LC
Sale Date	May 26, 2016
Deed Book/Page	16022-169
Property Rights	Fee Simple
Conditions of Sale	Typical
Financing	Cash
Verification	File #4513
Sale Price	\$280,000
Upward Adjustment	\$617,500 Demo & misc.
Adjusted Price	\$897,500

Zoning	C-O, Commercial
Gross Land Size	4.000 Acres or 174,229 SF
Sale Price/Gross Acre	\$224,389 Adjusted
Sale Price/Gross SF	\$5.15 Adjusted

**Remarks** Grantee plans to construct assisted living facility on site. Grantee is responsible for removal of 59,000 SF former hospital.



**Land Sale No. 4**



**Property Identification**

<b>Record ID</b>	4380
<b>Property Type</b>	Commercial
<b>Address</b>	3410 Beaver Ave, Des Moines, Polk County, Iowa

**Sale Data**

<b>Grantor</b>	Beaverdale Investment, LLC
<b>Grantee</b>	Hubbell Properties I, LC
<b>Sale Date</b>	February 29, 2016
<b>Deed Book/Page</b>	15909/684
<b>Property Rights</b>	Fee Simple
<b>Verification</b>	Grantee and Public Records
<b>Sale Price</b>	\$1,140,000
<b>Upward Adjustment</b>	\$350,000 Demo & Abatement
<b>Adjusted Price</b>	\$1,490,000

<b>Zoning</b>	C-1 & R1-60
<b>Gross Land Size</b>	3.665 Acres or 159,628 SF
<b>Sale Price/Gross Acre</b>	\$311,088 Actual or \$406,598 Adjusted
<b>Sale Price/Gross SF</b>	\$7.14 Actual or \$9.33 Adjusted

**Remarks** Former Boesen's greenhouse property. The majority of the property along Beaver Ave was zoned C-1 and rear portions were zoned R1-60. Buyer had entire property rezoned to PUD to construct 78-unit assisted living facility. Buyer was responsible for removing approx. 10 greenhouse buildings on the site. The demo costs plus costs for abatement of the asbestos was estimated at \$350,000. Sale was adjusted upward.

**Land Sale No. 5**



**Property Identification**

<b>Record ID</b>	4002
<b>Property Type</b>	Multi-family
<b>Address</b>	700 East 4th Street Et. Al, Des Moines, Polk County, Iowa

**Sale Data**

<b>Grantor</b>	Principal Life Insurance Company
<b>Grantee</b>	Hubbell Realty Company & Bridge District Townhomes LLC
<b>Sale Date</b>	May 28, 2015
<b>Deed Book/Page</b>	15595/231 & 237
<b>Property Rights</b>	Fee Simple
<b>Verification</b>	Public Records
<b>Sale Price</b>	\$1,925,000
<b>Adjusted Price</b>	\$1,925,000

<b>Zoning</b>	DR-Downtown River District
<b>Gross Land Size</b>	7.217 Acres or 314,386 SF
<b>Sale Price/Gross Acre</b>	\$266,720
<b>Sale Price/Gross SF</b>	\$6.12

**Remarks** Sold on two separate deeds on the same date. The combined sale is shown above. Grantee plans to develop site with 123 unit multi-family buildings and 45 townhouse style units.

### Land Sale No. 6



## Property Identification

<b>Record ID</b>	4290
<b>Property Type</b>	Residential Development
<b>Address</b>	2301 NW Irvinedale Ave, Ankeny, Polk County, Iowa 50023

## Sale Data

<b>Grantor</b>	Bill Kimberley, LC
<b>Grantee</b>	CD Developer, LLC
<b>Sale Date</b>	May 20, 2016
<b>Deed Book/Page</b>	16009-523
<b>Property Rights</b>	Fee Simple
<b>Conditions of Sale</b>	Typical
<b>Financing</b>	Cash
<b>Verification</b>	Grantor, Grantee, Appraisal
<b>Sale Price</b>	\$1,638,000
<b>Upward Adjustment</b>	\$50,000 Demo
<b>Adjusted Price</b>	\$1,688,000

<b>Topography</b>	Level
<b>Utilities</b>	All near
<b>Gross Land Size</b>	41.900 Acres or 1,825,164 SF
<b>Sale Price/Gross Acre</b>	\$40,286 Adjusted
<b>Sale Price/Gross SF</b>	\$0.92 Adjusted

**Remarks** Planned for 114 single family lots. Adjusted up \$50k for cost to clear old farm from site.

## DEFINITIONS

The following definitions have been taken from *The Dictionary Of Real Estate Appraisal*, Fifth Edition, published by the Appraisal Institute, as printed in 2010.

### **Easement**

Non-possessory (incorporeal) interest in landed property conveying use, but not ownership, of a portion of that property.

### **Eminent domain**

The right of government to take private property for public use upon the payment of just compensation. The Fifth Amendment of the U.S. Constitution, also known as the *takings clause*, guarantees payment of just compensation upon appropriation of private property.

### **Fee simple estate**

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

### **Fixture**

An article that was once personal property, but has since been installed or attached to the land or building in a rather permanent manner so that it is regarded in law as part of the real estate.

### **Grantee**

A person to whom property is transferred by deed or to whom property rights are granted by a trust instrument or other document.

### **Grantor**

A person who transfers property by deed or grants property rights through a trust instrument or other document.

### **Lease**

A contract in which the rights to use and occupy land or structures are transferred by the owner to another for a specified period of time in return for a specified rent.

### **Leased fee interest**

A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship (i.e., a lease).

### **Leasehold improvements**

Improvements or additions to leased property that have been made by the lessee.

### **Leasehold interest**

The tenant's possessory interest created by the lease.

### **Lessee**

One who has the right to occupy and use the property of another for a period of time according to a lease agreement.

### **Lessor**

One who conveys the rights of occupancy and use to others under a lease agreement.

**Life Estate**

Rights of use, occupancy, and control, limited to the lifetime of the designated party, sometimes referred to as the *life tenant*.

**Market Rent**

The most probable rent a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement, including permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs).

**Market Value**

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is consummation of a sale as of a specified date and passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well-informed or well advised and each acting in what they consider their own best interest;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Source: Office Of The Controller Of The Currency, effective date August 24, 1990, as amended April 9, 1992 and June 7, 1994.

**Real Estate**

An identified parcel or tract of land, including improvements, if any.

**Real Property**

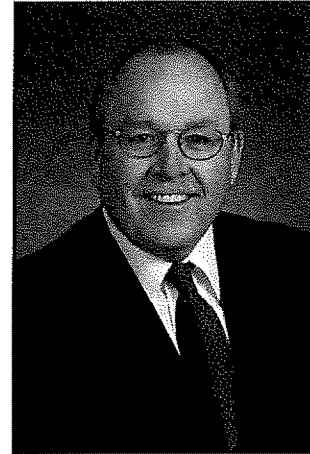
The interests, benefits, and rights inherent in the ownership of real estate (USPAP, 2010-2011 ed.)

STATE CERTIFICATION

	<b>STATE OF IOWA</b>
IOWA DEPARTMENT OF COMMERCE PROFESSIONAL LICENSING AND REGULATION	
THIS IS TO CERTIFY THAT THE BELOW NAMED HAS BEEN GRANTED A CERTIFICATE AS A GENERAL REAL PROPERTY APPRAISER	
CERTIFICATE NO. CG01117	EXPIRES: 6/30/2017
SCHULTE, PATRICK J COMMERCIAL APPRAISERS OF IOWA, 3737 WOODLAND AVENUE SUITE 320 WEST DES MOINES, IA 50266	

## QUALIFICATIONS OF THE APPRAISER

**Patrick J. Schulte, MAI, SRPA**  
**Real Estate Appraiser**



### **Education**

Bachelor of Business Administration  
University of Wisconsin, Madison, 1971  
Real Estate and Urban Land Economics

University coursework included Land Economics, Valuation of Real Estate, Real Estate Finance, Land Location and Succession, and Land Public Policy.

Professional education has included completion of all requirements to obtain the SRPA and MAI designations. Courses included Appraisal Theory and Techniques, Principles and Applications for Income Property Valuation, and Standards of Professional Practice. Continuing professional education credit hours have been earned to exceed the Appraisal Institute requirement of 100 credit hours during each five-year period and Iowa Licensing requirements. Additional professional education has included Industrial Property Appraisal, Computer Assisted Appraisal and annual conventions and seminars.

### **Experience**

Professional experience covers 35 years in appraising all types of commercial, industrial and investment property, with specialized knowledge for analysis of complex property issues for special use properties. A co-founder of Commercial Appraisers of Iowa, Inc. during 2001. Experience includes unique skills in golf course appraisal and extensive past practice in eminent domain and assessment fields.

Prior experience included the position of Vice President and Appraiser with Iowa Appraisal and Research from 1987 to 2001 appraising commercial and investment properties. Served as Chief Deputy Assessor of Madison, Wisconsin from 1979 to 1987 with responsibility for assessment of all commercial and apartment properties and all business FF&E.

Prior experience included six years as appraiser of industrial properties for the Wisconsin Department of Revenue. Additional experience includes teaching assessment law, cash equivalency analysis, and appraisal procedures at several vocational and technical schools.

### **Professional Affiliations**

Designated MAI and SRPA - Appraisal Institute  
Appraisal Institute - Iowa Chapter  
Lions Club International

### **State Certification**

Certified General Real Property Appraiser, State of Iowa. Certificate No. CG 01117

